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1985

U.S. lodging INDUSTRY

Laventhol & Horwath
Certified Public Accountants

1985 Edition

53RD ANNUAL REPORT ON HOTEL AND MOTOR HOTEL OPERATIONS

U.S. LODGING INDUSTRY

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THE U.S. LODGING INDUSTRY—TODAY AND TOMORROW

By Carol Greenberg
Economist, Research & Development Division

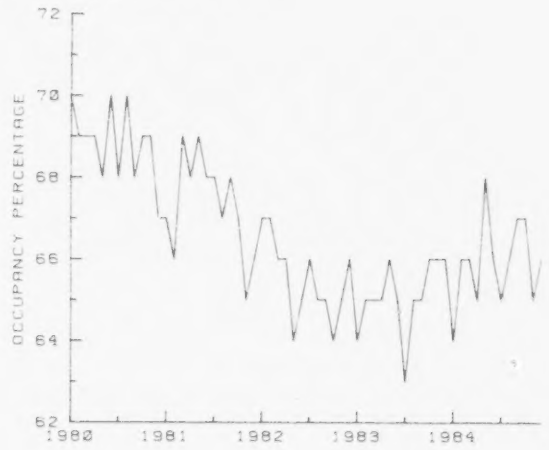
Lodging demand: the impact of price on occupancy

The relationship between the two major indicators of the health of the lodging industry, average room rates and occupancy, is a complex one. Both are affected by changes in supply as well as demand. Constant dollar average room rates changed little over the 20 years between the mid-1930s and mid-1950s in spite of dramatic swings in occupancy rates. Rates rose moderately through the early sixties, while occupancies were reduced as a result of sizable additions to supply. Weak national economic conditions during the late 1960s and early 1970s depressed occupancies but not room rates, which showed some gains during this period. Increased demand during the mid to late 1970s boosted occupancies and was accompanied by a continued rise in room rates.

Unfortunately, these patterns do not provide much of a guide in determining just how sensitive room sales are to prices. Market behavior is determined by the complex interaction of numerous supply and demand determinants of which price is only one. From the hotel's perspective, however, price behavior deserves special attention, since it is one of the few major variables under management's control. The impact of price on demand can be quantified through statistical analysis. This article presents a discussion of this issue based upon a study of recent lodging industry behavior.

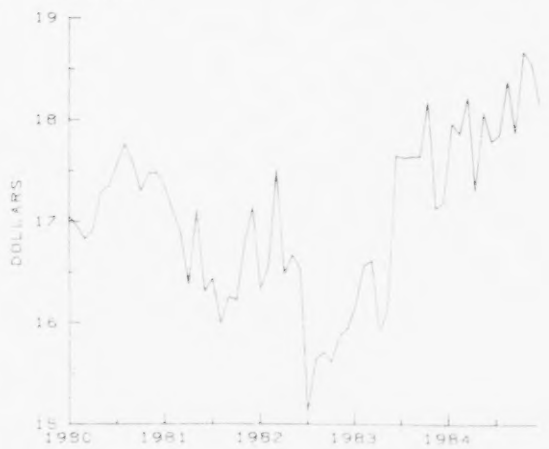
There is ample evidence to suggest that price alone is not a major determinant of lodging demand. Past experience has shown that the reduction of room rates to bolster lodging industry earnings during an economic slump is an expensive strategy of limited effectiveness. As Charts 1 and 2 illustrate, widespread price cutting during the last recession did not arrest the decline in occupancy rates.

CHART 1
NATIONAL OCCUPANCY RATE
SEASONALLY ADJUSTED
1980 - 1984



NATIONAL LODGING TREND
LAVENTHOL & HORWATH

CHART 2
NATIONAL AVERAGE ROOM RATE
SEASONALLY ADJUSTED 1967 DOLLARS
1980 - 1984



NATIONAL LODGING TREND
LAVENTHOL & HORWATH

A method for calculating the cost of rate cutting developed in 1954 has shown that a price cut of 5 percent generally requires a nearly equivalent increase in occupancy rates to maintain earnings. In the past, such offsetting increases in

rooms sold have rarely been achieved.

In order to quantify just how sensitive consumers are to changes in lodging prices, a multivariate regression model of national lodging demand was constructed. The dependant variable was the number of lodging rooms sold nationally between 1960 and 1983 on an annual basis. In the aggregate, the number of lodging rooms sold depends upon economic and demographic growth and cyclical factors as well as price. Three major determinants were found to explain most of the variation in room sales. These were the constant dollar average room rate, non-manufacturing employment (a proxy for population and economic growth), and constant dollar corporate profits after taxes, a cyclical indicator.[1]

The regression results indicate that a 10 percent reduction in room rates, while holding employment and profits constant, will increase the number of rooms sold by only 5.6 percent. All three factors are significant and together explain 91 percent of the variation in room sales. This suggests that in the aggregate, lodging demand is price inelastic, i.e., an industry-wide cut in prices will reduce lodging industry revenues.

In order to examine price sensitivity on a more disaggregated basis, demand for rooms in a selected group of metropolitan areas was examined. Data availability and theoretical considerations led to the selection of high rate properties (those with rates generally above $60 per night) in large MSAs for this analysis. There are a number of advantages to the choice of this group. First, it includes a large and relatively consistent sample of competitive properties. Second, the results should provide a key to the behavior of business and group/convention travelers, since about 90 percent of rooms sold in this rate class are occupied by members of these two groups.

Through the use of L&H's Lodging Trends Data base, it is possible to pool monthly series on occupancy and room rates from January 1981 to December 1984 for approximately 30 metropolitan areas. Nine MSAs were chosen from this group for inclusion in the analysis based upon sample size, geographic dispersion, and market significance. Metropolitan areas included in the model are:

Boston	New York
Dallas	Philadelphia
Detroit	St. Louis
Houston	Washington, D.C.
New Orleans	

The price term reflects the average rate over time among these properties. Price was deflated by the CPI for all urban workers. Employment data were obtained from the Bureau of Labor Statistics' Employment and Earnings data base. These were scaled for statistical purposes by total rooms available in each MSA.

The regression equation estimated in log-linear form is:

$$\underset{}{\text{ROOMS}} = \underset{(0.59)}{0.305} - \underset{(-7.55)}{0.56}(\text{RATE}) + \underset{(10.03)}{0.64}(\text{ENMFG}) + \underset{(3.20)}{0.08}(\text{CPAT})$$

$R2 = 91.0$ percent

where:

ROOMS = total rooms sold
RATE = average room rate (constant dollars)
ENMFG = nonmanufacturing employment
CPAT = corporate profits after tax (constant dollars)

---

derived from the L&H Inventory of the Lodging Industry data base.[2] All relevant series were seasonally adjusted.

The intercept term was allowed to vary for each cross section to account for differences in local market conditions not captured by the independent variables.

The regression model which provides the best fit and defensible parameter estimates suggests a price elasticity of −.23 with respect to occupancy. This implies that a 10 percent price cut will increase rooms sold by only 2.3 percent, while holding supply and employment constant.[3] There also appears to be a relatively long adjustment period before consumers react to a price change. This result also implies that business travelers do not frequently "trade down" to properties in a lower price class when prices rise, nor do they shorten or eliminate trips.[4]

An examination of room rate structure lends further support to the hypothesis that business travelers as a group are willing to pay more than tourists for lodging.

Rates show a strong positive correlation to hotel size and vary substantially by location and region (see Table 1, page 5). About half of all center city and airport rooms are priced at $60 or above compared to only 11 percent of those rooms at highway locations (the inclusion of meals in many resort room rates prevents direct price comparison).

Although market composition is fairly even over most locations, business travelers, conference participants and government officials as a group are overrepresented at center city and airport facilities and underrepresented at highway properties. The second most frequented location for tourists after resorts is the highway property. (See Table 2, page 5)

A similar pattern emerges when viewing the data on a metropolitan area basis. As a group, the distribution of room rates in major cities is biased upward. Nevertheless, areas with the highest percentages of rooms with rates above $60 are in metropolitan areas with an above average proportion of rooms at center city locations. Major business travel centers like New York, Chicago, Boston, Detroit, Dallas and Los Angeles have high proportions of expensive rooms.

In the future, a number of factors could alter the lodging consumer's price sensitivity, including the demographic composition of travelers, potential changes in tax laws and alternatives to travel, such as teleconferencing. The price implications of these changes are as yet uncertain. For example, a potential decline in the business share of total room nights due to a shortening of the work week will not necessarily reduce median room rates, since rising disposable incomes will increase demand for upscale accommodations.

The impact of these changes on the consumer's price sensitivity will have important implications for the lodging industry and suggests the value of further and expanded research to monitor these developments.

The regression equation, estimated in log-linear form, is:

$$\begin{aligned} OCC = {} & 3.96 - 0.22\,(RATE(-6)) + 0.54\,(EMFG) - 0.07\,(UNEMP) - \\ & (10.48)\quad (-6.24)\qquad\quad (9.41)\qquad\quad (-2.17) \\ & 1.09\,(INTBOS) - 0.79\,(INTDAL) - 1.61\,(INTDET) - 0.89\,(INT.HOU) - \\ & (8.83)\qquad\quad (10.98)\qquad\quad (-9.42)\qquad\quad (-12.11) \\ & 0.12\,(INT.NEO) - 0.74\,(INT.NYC) - 1.53\,(INT.PHI) - 1.35\,(INT.STL) \\ & (-5.51)\qquad\quad (-7.43)\qquad\quad (-10.35)\qquad\quad (-11.39) \end{aligned}$$

$R2 = 66.1$ percent

where:

OCC = occupancy rate in area i

RATEi = average room rate (constant dollars) in area i, lagged six months

EMFG = manufacturing employment in area i, scaled by total room supply in area i

UNEMP = U.S. unemployment rate

INT.BOS...INT.STL—local area dummy variables

[1] *Since price is likely to be dependent upon demand factors, a two-staged least squares procedure was employed to estimate demand.*

[2] *Since monthly inventory data are not available, the 1984 figures were used throughout each time period. This procedure is not expected to cause any serious bias, since major shifts in supply generally did not occur over this period.*

[3] *These results are consistent with those reported in an impact analysis of a hotel room tax in Hawaii in which visitor volume and length of stay were found to be relatively insensitive to price.*

[4] *It should be noted that the foregoing analysis measures the impact on lodging demand of a change in price for an entire MSA. Since hotels within an MSA are closer substitutes than those across metropolitan areas, price elasticity is likely to be higher among individual properties.*

Lee, Daniel R. "A Forecast of Lodging Supply and Demand," The Cornell H.R.A. Quarterly, August 1984, pp. 27-40.

Lesure, John D. and Randell A. Smith, "The U.S. Lodging Industry, Today and Tomorrow," U.S. Lodging Industry 1982, pp. 2-3.

Mak, James and Edward Nishimura "The Economics of a Hotel Room Tax," Journal of Travel Research, Spring 1979, pp. 2-6.

Table 1
Distribution of Hotel Rooms*

	Number of Rooms	Percentage of Rooms With Average Room Rate					Percentage of MSA Rooms in Center City Location
		Under $30	$30–$44.99	$45–$59.99	$60–$85	Over $85	
Total U.S.	2,179,711	14%	29%	21%	20%	16%	23.0%
Location							
Center City	501,334	6	21	18	25	30	
Suburban	477,357	14	32	26	19	9	
Airport	163,478	6	20	27	32	16	
Resort	405,426	3	15	21	30	31	
Highway	632,116	27	42	20	8	3	
Size:							
Under 75 Rooms	341,117	35	43	13	6	2	
75–149	628,774	21	45	22	9	4	
150–299	603,779	5	25	35	25	10	
300–600	383,629	2	8	15	38	38	
Over 600	222,330	1	5	10	28	56	
Region:							
Northeast	309,519	5	18	24	26	27	
Southeast	488,255	12	30	21	21	16	
North Central	416,325	22	31	22	18	7	
South Central	396,707	13	38	22	16	11	
West	571,084	13	24	20	21	21	
Metropolitan Area							
Atlanta	32,843	13	19	19	29	20	14.8%
Baltimore	10,395	0	19	29	45	7	28.6
Boston	23,360	1	9	9	33	47	25.7
Chicago	46,032	4	9	17	44	26	28.7
Cincinnati	12,663	11	29	26	21	12	21.4
Cleveland	12,681	18	21	30	23	8	25.6
Dallas-Ft. Worth	40,762	6	20	19	23	31	25.1
Daytona Beach	9,820	9	36	38	12	4	0
Denver	22,831	5	13	21	26	35	3.3
Des Moines	5,742	13	42	24	22	0	28.1
Detroit	15,769	13	17	23	27	20	15.3
Houston	39,242	3	21	23	26	27	15.2
Indianapolis	12,528	24	22	23	19	12	22.7
Las Vegas	41,554	14	25	25	26	10	0.1
Los Angeles	49,634	3	9	15	31	41	24.4
Miami	33,841	4	11	21	36	27	15.6
Minneapolis	19,492	11	24	19	33	14	29.3
New Orleans	24,563	2	11	20	26	41	33.5
New York	64,239	0	9	16	14	60	70.7
Orlando	42,353	7	38	23	13	19	6.1
Philadelphia	21,253	5	15	23	35	22	29.3
Pittsburgh	10,370	5	21	19	40	14	27.6
Portland	10,660	19	30	22	20	9	37.5
St. Louis	19,215	10	25	26	35	4	24.5
San Antonio	16,431	5	35	25	13	23	28.7
San Diego	23,038	9	20	21	28	22	28.1
San Francisco	38,527	3	8	18	27	45	62.9
Tampa	26,334	8	32	28	23	9	10.4
Tulsa	8,537	9	32	25	24	11	20.8
Washington, D.C.	43,823	1	13	14	24	48	44.2

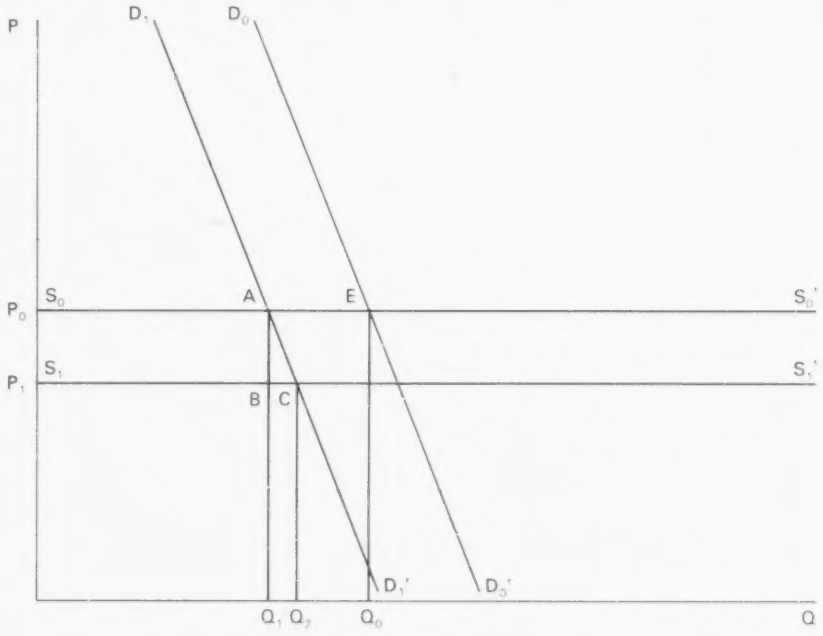
*Properties with more than 25 rooms and are open all year

Table 2
Distribution of Hotel Rooms
Source of Business

	Business/ Conference	Government	Tourist	Other
Total U.S.	59.2%	6.8%	24.7%	9.4%
Location				
Center City	58.9	8.8	18.2	14.0
Suburban	69.2	5.8	14.6	10.2
Airport	67.9	6.8	18.8	6.5
Resort	39.7	1.8	55.5	3.0
Highway	56.0	7.0	27.2	9.6

The U.S. lodging industry—today and tomorrow: appendix

The implications of price insensitivity are presented graphically below. The initial supply and demand conditions are represented by S_o S_o' and D_o D_o' respectively. For simplicity, it is assumed that average room rates remain constant over the given supply range. At price P_o, Q_o rooms are sold. As the result of a recession, demand falls to D_1 D_1'. At the original price P_o, the new number of rooms sold would fall to Q_1, and the total revenue loss is represented by the area EQ_oQ_1A. If the hotel decides to lower its price to P_1, an additional Q_1Q_2 rooms will be sold, but additional revenue equal to the area CQ_1Q_1B is not sufficient to offset the loss (area ABP_1P_o) caused by the price cut.



COMMENTS FROM AROUND THE COUNTRY

From Anchorage

The Anchorage lodging market continued to perform exceptionally well during 1984. Area-wide occupancy exceeded 80 percent for the year with an average daily room rate in excess of $60. These impressive statistics designate Anchorage as one of the top lodging markets in the country. The strength of this market is expected to continue into 1985 with no significant increase expected in the supply of hotel rooms during the year.

The last major addition to the supply of guest rooms came in 1979 with the opening of the 383-room Sheraton Anchorage Hotel. Since that time, with the exception of a small number of economy-class guest rooms entering the market, the supply of rooms in Anchorage has remained relatively unchanged while demand has continued to increase. The need for additional guest rooms is particularly evident during the summer tourist months, when the area-wide occupancy rate approaches 95 percent.

Several projects are under way or are currently being discussed that would significantly increase the supply of rooms in Anchorage. These projects include:

- Expansion and renovation of the Anchorage Westward Hilton, which was begun in 1984. Upon completion, the facility will have 610 first-class guest rooms, expanded convention, food and beverage areas and a new athletic facility.
- Sheffield Enterprises has proposed the development of a 500-room first-class hotel in downtown Anchorage. The hotel would be part of a 640,000-square-foot mixed-use development to include 195,000 square feet of retail space and a 40,000-square-foot athletic club.
- The Sheraton Anchorage Hotel announced a proposed expansion to be developed in conjunction with a major retail center and office space.
- An all-suite Doubletree Hotel has been proposed on a site in the midtown area of Anchorage. The first-class facility would include 237 suites, an athletic facility, conference rooms and food and beverage facilities.
- A 203-room lakefront hotel has been proposed for Lake Spenard, just south of the Best Western Barratt Inn on Spenard Road.
- The McKay Building on East Fourth Avenue and Denali Street has been proposed for renovation into a 195-room luxury hotel.

With the opening of the Sullivan Arena and the Egan Convention Center in 1983 and 1984 respectively, group activity in Anchorage has demonstrated strong increases in recent years. With its central location and strong economic position within the state of Alaska, Anchorage has excellent potential for continuing to capture the majority of the State's meetings business.

The Anchorage economy is projected to sustain relatively stable growth through the end of the decade. This economic stability should continue to foster optimism for the future of the Anchorage lodging market while providing a highly competitive setting for every class of lodging facility.

Andrew N. Olsen
James E. Lowe
Seattle

From Atlanta

The Atlanta lodging market continued to experience extensive supply increases in 1984, when 2,078 new guest rooms were added. There are 6,359 rooms currently under construction, and another 4,310 rooms have been proposed.

Despite the remarkable increase in hotel rooms recently opened or under construction, the extensive development and absorption of new office space and the expansion of the Georgia World Congress Center are expected to create a significant growth in demand, thus preventing a dramatic decline in occupancy levels.

In the metropolitan area, approximately 48 million square feet of office space is under construction or proposed for construction within the next three years, representing an increase of 49 percent over the existing inventory of space. The Georgia World Congress Center was recently doubled in size to approximately 1.2 million square feet of meeting and exhibit space. It is more than 90 percent booked for the next several years. The expansion of the Georgia World Congress Center and the opening of several new hotels with extensive meeting facilities should have a substantial impact on the level of convention and group meeting activity in the Atlanta area, further increasing the demand for lodging accommodations.

Occupancy levels continued to vary considerably among the various sectors of the city, with the suburban properties on Atlanta's northern perimeter achieving the greatest growth. Properties in Buckhead and the northern suburbs continued to report healthy occupancy levels, primarily as a result of the rapid construction and absorption of office space in those areas.

Occupancies in the central business district increased slightly over 1983 due to an extremely active Convention and Visitors Bureau, an improving economy and the resulting increased number of conventions attracted to the city. The aforementioned expansion of the Georgia World Congress Center bodes well for the downtown lodging market; however, the opening of the 1,674-room Marriott Marquis in June 1985 is likely to temporarily soften the occupancies of downtown properties.

Occupancy in the airport and Six Flags sectors was up slightly over 1983 levels because of increased air and highway travel, resulting primarily from the ongoing national economic recovery.

Hotel development activity in the metropolitan area continued at a rapid pace in 1985. Spurred by the significantly expanded inventory of office space, the city's northern perimeter, known as the "Golden Crescent," has been the focal point of activity.

The northwest and north central sec-

tors, anchored by large malls and major office projects, have attracted several large first-class hotel developments. A 500-room Hyatt Regency and a 370-room Doubletree Hotel are currently under construction, and a 636-room property and 540-room property are proposed for development by Franklin Properties and Portman-Barry Investments, respectively.

Gwinnett County, the country's fastest growing county in 1984, continued to be the city's most active sector for hotel development. Two properties opened in 1984, seven are currently under construction and five others are proposed. The substantial activity in the county may be attributed to the legalization of liquor-by-the-drink in 1982 combined with extensive commercial, retail and residential development.

Activity in the Buckhead/Lenox Square area was highlighted by the opening of the 581-room Ritz-Carlton in early 1984 and the opening of the MARTA rapid rail terminal in early 1985. The continued development of high quality office space and the immediate absorption of the Ritz-Carlton has generated significant interest in additional hotel development in the area. Several first-class properties are proposed for construction.

A Holiday Inn-Crowne Plaza and a Lagniappe Inn are currently under construction in the airport area. An Embassy Suites and a Marriott Courtyard are proposed for development as well.

The 1,674-room Marriott Marquis, under construction in the central business district, will represent Atlanta's largest hotel. In addition, a 200-room Hotel Ibis is under construction in the downtown area.

Without question, Atlanta is undergoing its most ambitious hotel construction period ever. Although citywide occupancy may decline in the near-term, the extensive commercial, retail and office space development occurring in the city's suburbs, combined with the expansion of the Georgia World Congress Center and increased airport activity, should result in significantly increased demand and, thus, enable the large supply increases to be rapidly absorbed.

R. Mark Woodworth
Hank Staley
Atlanta

Atlanta
(New Properties)

Area	Property	Rooms	Status*
Central Business District	Ritz-Carlton	472	O
	Hotel Ibis	200	UC
	Marriott Marquis	1,674	UC
	Regent Terrace	200	P
Buckhead	Ritz-Carlton	581	O
	Embassy Suites	250	P
	Omni/Dunfey	350	UC
	Pickett Suite Hotel	250	P
Northwest	La Quinta	130	O
	Skylight Inn	120	O
	Pickett Suite Hotel	203	O
	Post Inn	200	O
	Clocktower Suites	170	O
	Embassy Suites	261	UC
	French Quarter Inn	140	UC
	Days Inn	200	UC
	Sheraton	222	UC
	Residence Inn	200	P
	Crow-Terwilliger	150	P
	Franklin Properties	636	P
	Metro Development	250	P
North Central	Sheraton	200	UC
	Embassy Suites	242	UC
	Holiday Inn	300	UC
	Hyatt Regency	500	UC
	Doubletree Hotel	370	UC
	Ramada Inn	144	P
	Marriott (all-suite)	232	P
	Portman-Barry	540	P
Northeast	Knights Inn — Indian Trail	116	O
	Skylight Inn	126	O
	Clocktower Suites (Oakbrook)	150	UC
	Days Inn — Gwinnett Place	200	UC
	Marriott	300	UC
	Marriott Courtyard — Peachtree Corners	130	O
	Hilton	250	UC
	Economy Motel of America	100	UC
	La Quinta	130	UC
	Days Inn — Northlake	200	UC
	Knights Inn (Lawrenceville Highway)	120	UC
	Ramada Inn	144	P
	Benchmark Inn	124	P
	Howard Johnson's Plaza	242	P
	Metro Development	250	P
	Clocktower Suites — Gwinnett Place	200	P
Airport	Holiday Inn — Crowne Plaza	400	UC
	Lagniappe Inn	70	UC
	Embassy Suites	250	P
	Marriott Courtyard	148	P
Six Flags	None		

*O — Open; UC — Under Construction; P — Planned

From Atlantic City

In May 1978, Resorts International, Atlantic City's first casino/hotel, opened its doors to overwhelming crowds and record casino-win levels, prompting developer interest in all real estate areas zoned for casino/hotel developments. Since that time, nine additional casino/hotels have been built: Caesars Boardwalk Regency, Bally's Park Place, Harrah's Marina, Golden Nugget, Atlantis, Sands, Claridge, Tropicana and the latest opening, Trump Plaza, a 50-50 joint venture between Harrah's and the Trump Organization. These facilities represent 5,400 guest rooms and 510,000 square feet of casino space.

For 1984, gross citywide casino-win was approximately $1.95 billion, representing a 10.2 percent increase over the 1983 total of $1.77 billion. Citywide occupancy for 1984 was 85 percent, consistent with the previous year. The citywide average room rate for 1984 was $89, a 6 percent increase over the 1983 average rate of $84.

The significant decline in interest rates from the previous year presented renewed vigor for Atlantic City's second wave of hotel and casino/hotel developments. Existing operators began taking a serious

look at expansion capabilities and the possibility of developing additional flagship properties. While operators continued to concentrate on day-trip bus traffic, more and more concern arose over the need for Atlantic City to develop into a year-round convention and resort destination.

Of the numerous projects under construction, proposed or rumored, the two most critical to the city's future are the Trump's Castle Hotel and Casino, and the long-awaited plans to develop the Convention/Rail Service Center at the terminus of the Atlantic City Expressway.

After being denied a casino license, Hilton Hotels Corporation sold its $270-million casino/hotel to Donald Trump. This marina property, renamed Trump's Castle Hotel and Casino, contains 605 hotel rooms and a 60,000-square-foot casino; the hotel opened on June 17, 1985. Plans call for the construction of two more guest room towers, increasing the total number of rooms to approximately 2,000. The second phase of development also calls for an addition of approximately 20,000 square feet of casino space.

Although the existing Convention Hall is currently undergoing a significant $18 million facelift, it is generally believed that a modern, strategically located and expansive convention facility, combined with a supportive number of committable hotel rooms, are necessary to truly revive Atlantic City as a major regional, statewide and national convention destination.

In response to this need, and after many years of deliberation, the state of New Jersey and the Atlantic County Improvement Authority announced plans to develop the Convention/Rail Service Center at the terminus of the Atlantic City Expressway. In total, the proposed complex will include approximately 560,000 square feet of uninterrupted exhibit space, making it comparable to the larger convention facilities in the United States. The new convention center will also include parking facilities for up to 40 buses, restaurant and retail facilities and direct linkage via overpass to the Atlantic City Expressway. Restored rail service between Atlantic City's proposed Rail Service Center and Philadelphia and other points west is expected to have a significant impact on overall visitation. Operations will be targeted towards weekend travelers and will primarily serve casinos and other leisure activities. Commuter service is currently projected at 11 roundtrips per day on the Atlantic City-to-Philadelphia line. The Convention/Rail Service Center, combined with future hotel and casino/hotel development proposed for contiguous parcels of land, should create a much-needed, eye-appealing gateway to Atlantic City.

At the time of this writing, we anticipate that the combined Convention/Rail Service Center will be financed by Atlantic County Improvement Authority bonds, which would be repaid primarily by luxury tax revenues. It is believed that the Rail Service Center, rail lines and bus parking facilities, once fully financed, could be completed and fully operational by the end of 1986. The convention center is scheduled to open by 1990.

In addition to the two projects highlighted, and if the projects proposed and under construction are completed, the room inventory could be increased by as many as 8,000 guest rooms by the end of 1988. However, the completion of many of these projects depends largely on interest rates, the availability of construction and permanent financing and the posture maintained by the environmental, licensing and other regulatory bodies. Also critical is the ability of the state of New Jersey, Atlantic County and agencies such as the Atlantic County Improvement Authority to commit to increasingly necessary transportation, water, sewerage and other infrastructure improvements. Improvements made in these areas, combined with a definitive strategy and time frame for the development of the future focal point for Atlantic City lodging growth, the Convention/Rail Service Center, will increase the likelihood that many projects now in the proposed or planning stages will be completed.

Michael G. French
Philadelphia

From Austin

Despite a general downturn in the Texas economy, caused by a depressed oil and gas market and the devaluation of the Mexican peso, the Austin economy experienced another strong year in 1984. The expansion and relocation of high-technology firms continues to be a major driving force in the Austin economic environment. Real estate development shows positive trends as estimates by the Horne Company Realtors project 6.3 million square feet of commercial space under construction, of which 5.1 million square feet is available. Absorption of existing space in 1984 was 2.6 million square feet, an increase of 78 percent over 1983 levels. As would be expected, the number of building permits and building permit values increased over 1983 levels 15.7 percent and 39.7 percent, respectively. Austin employment also reflects a strong economy, with the 1984 unemployment rate at 3.3 percent. This is substantially below the 5.9 percent for Texas and the national average of 7.5 percent.

In 1984, citywide hotel occupancies were estimated at 74.5 percent with an average rate of approximately $45.56. This represents a 5.8 percent increase over 1983 average room rates. Occupancy remained constant, despite the addition of 1,456 new hotel rooms. Seven new additions, two expansions and the one renovation that comprised this increase included:

- The 350-room La Mansion located in north Austin.
- The 210-room Austin South Plaza Hotel.
- A 200-room Holiday Inn in northwest Austin.
- A 150-room Exel Inn at the intersection of Highway 183 and Interstate 35 in north Austin.
- A 141-room Kings Inn on Interstate 35 in north Austin.
- A 100-room Executel Motor Inn located along Highway 183 east of Interstate 35.
- A 261-room Embassy Suites (formerly Granada Royale Hometel) south of the intersection of Interstate 35 and Highway 290 in north Austin.
- A 44-room Quarters Motor Inn located at the intersection of Burnett Road and Highway 183 in northwest Austin.
- A renovation completed during 1984 of the Stephen F. Austin Hotel, reducing its room count by 23.

Projects slated to open during 1985 and 1986 include:

- A 99-room Habitat Inn to open in January of 1985.
- An expansion of 146 rooms at the Holiday Inn—Townlake started in 1984 is due to open in 1985.
- A 365-room Marriott, located at 11th

Street and Interstate 35, started construction in 1984 and is scheduled to open in mid-1986.

- A Brock Residence Inn, featuring 128 suites, started construction in 1984 and is scheduled to open in June of 1985.
- A 261-unit Embassy Suites, located at Riverside Drive and Congress, started construction in 1984 is scheduled to open in January 1986.
- The 261-room Waller Creek Plaza Hotel, scheduled to open in mid-1985, is located at 6th Street and Interstate 35 feeder road.

A total of approximately 535 rooms are projected to open in 1985. Several additional hotel projects are in varying stages of development, showing the continued dynamics of the Austin lodging market.

The strength of the Austin economy is projected to provide continued support for the increasing hotel supply resulting in growth of occupied rooms and stable area occupancies in 1985.

Anthony Levinson
Houston

From Baltimore

The revitalization of the downtown area and expanded development in suburban areas continued to have a positive effect on Baltimore's lodging market during 1984. Downtown, the overall demand for hotel facilities increased from 1983; however, the market area occupancy declined as a result of the opening of four new hotels. During 1984, the estimated market area occupancy was approximately 63 percent, a decrease from the 1983 level of 67 percent. However, the market area average room rate increased 8 percent, from approximately $63 during 1983 to an estimated $68 in 1984.

Baltimore's hotel demand should increase as the city's economic upswing continues with further development of office space, the expansion of the convention center and growth in tourist attractions and visitation to the city.

- In 1984, approximately 979,000 square feet of first-class office was delivered in the city, in comparison to approximately 247,000 square feet in 1983. Major projects planned for completion during 1985 include the 355,000-square-foot Cabot, Cabot & Forbes building and the 250,000-square-foot office portion of the mixed-use Harbor Exchange project. Construction began this year on the Rouse Company's Gallery at Harborplace, which will include 250,000 square feet of office space as well as 125,000 square feet of retail space, a parking garage and a 570-room Stouffer Hotel.
- Baltimore's convention center has been successful in generating significant visitation to the city and new demand for lodging accommodations. Construction of a 30,000-square-foot underground expansion of the convention center is scheduled to begin in March 1985 with completion by August 1986. This will enable the Center to accommodate larger conventions and stimulate increased demand for hotel rooms.
- Tourism in Baltimore has increased significantly since the opening of Harborplace in 1980, primarily due to the promotion and popularity of the attractions located in the Inner Harbor area. This growth should persuade out-of-town guests to increase their length of stay as new attractions open. The most significant new attraction will be the Six Flags Power Plant, a $25 million urban entertainment and amusement center at Inner Harbor, scheduled to open in May 1985. Other proposed attractions include an expansion of the National Aquarium, a maritime center and the conversion of the Fish Market to a nighttime entertainment area.

During 1984, four new hotels opened in the downtown area: Days Inn, Comfort Inn, and two all-suite hotels, the Brookshire and the Tremont Plaza Hotel. Additionally, a total of seven hotel projects are either under construction or highly probable additions to the guest room supply. These include additions to the number of available rooms at the existing Belvedere Hotel and Tremont Plaza Hotel, as well as the anticipated 1985 openings of the Baltimore Plaza, Peabody Court and Sheraton Inner Harbor Hotel. Future hotel projects include the Grand Hotel, Harbor Court Hotel, Stouffer Hotel and a complete renovation of the former Lord Baltimore Hotel. These projects will result in a total room inventory of 4,892, an 87 percent increase in the total room inventory compared to the 1984 year-end supply of 2,613 rooms. As a result of the wide-scale increase in hotel development, the downtown Baltimore market is expected to become increasingly competitive. This has prompted existing hotels to undergo complete renovations, including the Holiday Inn—Inner Harbor and the former Baltimore Hilton Hotel, which was purchased and converted to an Omni International Hotel in July 1984.

Hotel occupancies in the suburban areas increased, particularly near the Baltimore-Washington International Airport. Sharp increases in airport traffic combined with the growth in the number of government contractors and related employers has generated interest for the development of additional lodging facilities. In addition to the existing hotels, three expansions and seven new hotels are planned or proposed. Suburban hotels which opened during 1984 include the Shoney's Inn at Security Boulevard and the Econo Lodge in the Towson area.

Although demand for lodging accommodations in Baltimore is projected to increase at unprecedented rates during the coming year, market area occupancies are projected to decline due to the magnitude of new hotel development. The hotel market is expected to become increasingly more competitive and, as a result, average room rates will most likely increase at slower rates than in prior years.

Joseph Trimble
Trudy Scott
Washington, D.C.

From Birmingham

The supply of guest rooms in Birmingham showed signs of significant growth in 1984, with construction either underway or completed on several lodging projects.

Triggered by the recent completion of Interstate 459, the continued development of office and residential complexes, the extensive amount of developable acreage and the aesthetic appeal of the area, hotel development in Birmingham's southern suburbs is the fastest growing of any sector of the city. Along U.S. Route 280, a hub of growth in the suburbs, the 209-room Sheraton Perimeter Park South was recently completed, and construction has begun on a 128-unit Residence Inn, Birmingham's first all-suite property.

Construction is well underway on the Riverchase Galleria, a mixed-use project on an 80-acre site near the junction of U.S. Route 31 and Interstate 459. In addition to a 1.5 million-square-foot regional mall and an office tower, the

project will include the Wynfrey Hotel, which will offer 329 first-class guest rooms and an abundance of meeting space. Other projects include the recently renovated 200-room Regis Hotel (formerly the Beacon Park Inn); a 132-room Marriott Courtyard presently under construction; and a 245-suite Embassy Suites is in the late stages of planning.

In the downtown area, renovation is well underway at the Redmont Hotel, expected to open in December 1985. Approximately 30 investors are hoping to restore the Redmont to its former prominent position in the city's lodging market. The hotel will offer 115 rooms (of which approximately 30 percent will be suites), a restaurant, lounge and meeting facilities capable of accommodating groups of up to 100. In addition to the Redmont, several other projects are underway in the downtown market including Alabama Power's new 18-story corporate headquarters, the 29-story South Trust Bank Building, and phase one of the Magic Place, a downtown mixed-use revitalization project.

Overall, despite the large growth in the supply of hotel rooms, the outlook for Birmingham's lodging market is favorable in the short- to mid-term. This is based on the sound growth characteristics evident in the area, the city's excellent location and the development of a horse racing track in 1986, which should enhance the city's appeal to meeting planners.

R. Mark Woodworth
Paul Foskey
Atlanta

From Charlotte

Lodging demand continued to increase at a strong rate throughout 1984 in all areas of Charlotte, particularly the Interstate 77-South corridor. This growth was attributable to the ongoing opening of new businesses in the city as well as the expansion of existing firms. The accessibility afforded Charlotte by two interstate highways and the Charlotte/Douglas Municipal Airport, which will be enlarged when a new concourse is opened in late 1985, has helped make the city the transportation and economic hub of the Carolinas.

New hotel construction has been strongest in the southern sectors of the city proximate to the SouthPark Mall and along the Interstate 77-South corridor. The 136-unit Guest Quarters Hotel and 200-room Park Hotel, both located in the SouthPark area, opened in late 1984. The 300-room Marriott Executive Park Hotel, which opened in late 1983 at the intersection of Tyvola Road and Interstate 77, continues to be one of the most popular hotels in Charlotte. Also at this interchange is a recently completed 80-unit Residence Inn, the first all-suite project in the area. Proposed developments at this interchange include a 120-room Hampton Inn, a 152-room Quality Inn and a 170-unit Royce Hotel.

Most of the other lodging developments along the Interstate 77 corridor are budget facilities offering limited services. These include the 100-room Leisure Inn on Woodlawn Road and the 116-room Red Roof Inn on Nation's Ford Road, both of which opened in late 1984.

The Billy Graham Parkway, which connects Interstates 85 and 77 and provides access to the Charlotte/Douglas Municipal Airport, has experienced significant development since its opening in early 1984. The 225-room Sheraton Airport Plaza and a 130-room La Quinta Inn are currently under construction at the interchange of the Billy Graham Parkway and Interstate 85. In addition, the city of Charlotte plans to build its new 25,000-seat coliseum at Billy Graham Parkway and Wilmont Road.

In downtown Charlotte, both the 430-room Marriott-City Center and the 292-room expansion of the Adam's Mark Hotel (formerly the Sheraton Center) opened in 1984. These two projects, combined with the recent incorporation and enlargement of the Charlotte Convention and Visitors Bureau, should serve to increase levels of group meeting demand in the city.

The Interstate 85-North sector of Charlotte appears to be the next significant growth area of the city. The maturation of the University Research Park, which is near the University of North Carolina at Charlotte and currently houses several high-technology companies, has stimulated the interest of several development groups in this area. A $300 million multi-use complex to be known as University Place is currently under construction. The 240-acre tract near the intersection of Interstate 85 and U.S. 29 will consist of office space, a retail and convention center, a 250-room Hilton Hotel and housing units. This phased project should trigger further growth in the northeast sector as it nears completion, in the next eight to 10 years.

Overall, Charlotte continues to be a strong market area for lodging operations. While significant new construction continues in the downtown and southern sectors, the prospects for new commercial and group-related lodging demand growth are good. This should preclude Charlotte from becoming an overbuilt lodging market beyond the near-term.

William J. Spears
Charlotte

R. Mark Woodworth
Atlanta

From Chicago

Downtown Chicago and its entire metropolitan area experienced a strong 1984 with regards to hotel occupancies and rates. New development and renovation starts were up dramatically from 1982 and 1983. Marketwide occupancy increased to 66.1 percent, its highest level since 1979 and a 6.3 percent increase over 1983. Average rates grew moderately, with stronger increases occurring in the last quarter of the year. Further market stratification is developing throughout the marketplace, with economy/limited-service, all-suite and luxury properties being planned and developed now in secondary markets.

Increases in demand varied among the market areas within and around Chicago. The downtown Chicago market operated at 62.9 percent occupancy in 1984. Although downtown growth has been restricted somewhat by the highly seasonal group demand generated primarily by McCormick Place, the first-class hotels saw the greatest increase in occupied rooms. The McCormick Place expansion, scheduled for completion in mid-1986, will increase total exhibit area by approximately 50 percent and will solidify the building's status as the largest convention facility in the nation.

The O'Hare area lodging market, consisting of over 7,200 hotel rooms, operated at 69.9 percent occupancy in 1984. The new Westin airport property opened with strong occupancy and an average rate significantly above area competitors.

Chicago's east/west corridor, anchored by the prestigious Oakbrook office mar-

ket and the fast-growing Naperville area, experienced an overall 74.8 percent occupancy in 1984, the highest in the Chicago metropolitan area.

The northwest suburban market, including Schaumburg and Woodfield, operated at 64.3 percent occupancy for the year. This market maintains a healthy occupancy despite the development of over 2,000 hotel rooms since 1980.

The Edens corridor, north of Chicago, ran a 69.4 percent overall occupancy during the year.

Throughout the entire Chicago metropolitan area, stratification within the hotel markets has been the instigator and success factor common to nearly all new hotel developments.

Many downtown properties are undergoing extensive renovation. The Conrad Hilton has been closed for renovation and is scheduled to reopen in 1985 as the Chicago Hilton and Towers. Planned as a very high quality convention hotel, the facility will have larger guest rooms and reduce the number of available rooms to 1,620. The Palmer House, another Hilton property, completed its renovation in 1984, and the Hyatt Regency recently began a refurbishing program.

Planned or proposed new hotel projects in the downtown market include:

- A 475-room luxury property at 900 North Michigan Avenue.
- A 350-room luxury all-suite property in Illinois Center.
- A 485-room first-class property included in the Oxford/Riverside development.
- A 247-room luxury property at Rush and Bellevue.
- A 750-room first-class hotel in the North Loop Redevelopment Project.

Three new hotel properties are expected to open in the O'Hare market by the end of 1987. A 300-room Embassy Suites, a 305-room Sofitel and a 296-room Radisson-Suite are all planned.

The east/west corridor has several new additions planned, including a 285-room Crown Plaza, a 150-room Hampton Inn, a 350-room luxury Lincoln Hotel, a 300-room Radisson-Suite, possibly two Marriott Courtyards and a 300-room first-class hotel of undetermined affiliation. The Hyatt-Oakbrook is also expanding, adding another 100 guest rooms and renovating its existing space.

Planned development in the northwest corridor includes two Marriott Courtyards, a 130-room Hampton Inn, a Best Inn and a Budgetel.

Finally, the Edens corridor will probably see two Marriott Courtyard hotels developed and possibly a Marriott-Suite.

Marriott Corporation is the most active in the Chicago market area, entering various Chicago area markets with no less than seven new hotels planned. Hampton Inn, which is also active in the Chicago area, has three new franchises now approved.

In summary, the Chicago metropolitan lodging market is in good health. The McCormick Place expansion, strong office development and absorption throughout the entire market and a healthy national economy have contributed to the rebound from recent soft years. Development of good concepts in strong markets will complement and enhance current lodging markets and intensify competition. Yet opportunity still exists for further, well-planned development.

Timothy Downey
Michael Mutter
Mark Eble
Chicago

From Cincinnati

Because of an increase of more than 1,000 hotel rooms, 1984 market-wide occupancy fell below 1983 levels. Although the average annual 1984 occupancy of 54.8 percent is a 1.6 point decrease from 1983, actual room night demand increased. Average daily room rates increased approximately 8.5 percent over the same period. The average rate reported for 1984 was approximately $44.76.

The major additions to the room supply occurred in the downtown market. The opening of the 484-room Hyatt Regency and the reopening of the 624-room Omni Netherland Plaza increased the available number of rooms in the downtown area to approximately 2,800. These two hotels were scheduled to open in conjunction with the opening of the expanded Cincinnati Convention Center. However, this $61 million project has been delayed and is now expected to open in late 1986. Until the expansion is completed and additional convention business is attracted, the downtown lodging market is expected to remain soft. Existing hotels will concentrate heavily on marketing to maintain current occupancy levels and will take advantage of continuing growth in the commercial market sector.

During 1984, the suburban lodging markets continued to maintain pockets of strong commercial development. As a result, additional interest has been shown in developing several hotels, primarily oriented at the price-sensitive and luxury markets, in Blue Ash and Springdale, two of the strongest suburban areas.

During 1984, work began on several projects that are expected to open in 1985. These projects have been concentrated north of downtown off of I-75, and include a 96-suite Brock Residence Inn, the 120-room Hamiltonian Inn and a major conversion of a Howard Johnson's into a 248-room Radisson Inn. Another project scheduled to begin in 1985 involves the renovation and restoration of the Cincinnatian Hotel located in the Cincinnati central business district. This project is expected to open by late 1986 as a 160-room luxury-class hotel.

The 1985 year-to-date occupancies are above 1984 levels for the same period. Continued growth is expected as Cincinnati's economy continues to grow and the relatively large number of additions to the room supply is absorbed. Occupancy should increase to between 58 and 60 percent for the Cincinnati area in 1985, while modest increases in average rates are expected.

Jay H. Lewis
Peter J. Weien
Cleveland

From Cleveland

The Cleveland area lodging market ended 1984 with an annual average occupancy of approximately 58 percent. This was a 3.6 point increase over the 1983 average. The estimated average room rate reached $45, more than $4 above the 1983 annual average.

As reported in last year's "comments," recent developments continued to be limited to economy "rooms only" facilities. During 1984, a strong emphasis was placed on renovation, as many full-service properties attempted to enhance their

competitiveness by promoting an increased price/value relationship.

Despite the past performance of the Cleveland hotel market, the future has begun to look brighter, with 1985 year-to-date occupancies considerably above 1984 levels. With the opening of Sohio's 1.2 million-square-foot world headquarters and continued office space development and absorption in the east, southern and downtown markets are expected to enhance the performance of the Cleveland lodging market. As significantly, the opening of the two-million-square-foot International Exposition and Trade Center near the Cleveland Hopkins International Airport is expected to precipitate development of several new hotel projects.

Continuing economic recovery and growth, the likely development of a domed stadium near the Cleveland central business district and an innovative plan for redevelopment of Cleveland's lakefront into a mixed-use real estate and entertainment area should help to solidify expected future increases in lodging demand. As a result, Cleveland will continue to be a viable market for selected hotel development opportunities in several strategic areas.

Jay Lewis
Cleveland

From Columbia

The Columbia lodging market experienced a year of unprecedented supply increases and announced developments in 1984. This growth was primarily attributable to the continued recovery of the national economy, a rapidly expanding population base, the ongoing opening of new business and industry and the expansion of existing commercial entities. The city's central location within South Carolina, the accessibility afforded by three major interstate highways, the desirable labor and business climate and the economic stability provided by the city's position as the governmental and educational center of the state should enable the Columbia region to continue to attract new commerce and industry.

Hotel development has been most prevalent in the downtown area and northern sector of the city. Downtown, a new 300-room Marriott and the renovation of an outdated economy property into the 168-room Comfort Inn Executive Center were completed in late 1983, and the 101-room Governor's House was opened in early 1984. The introduction of these properties caused considerable impact on existing lodging facilities in and around the city's central business district. Two large mixed-use developments, each including a hotel, have been proposed across the Congaree River from the downtown area; however, the current status of these projects appears tentative. An additional proposed development in this sector involves the existing 240-room Carolina Inn. The hotel would become part of a national chain, and a twin tower of rooms with additional meeting space would be constructed.

In northwest Columbia, the 165-room Sheraton Columbia opened in early 1984 along Interstate 20, and its initial success has prompted management to consider expansion possibilities. In addition, a 120-room Skylight Inn is under construction adjacent to Outlet Pointe Mall and Koger Executive Center. The northwest sector of the city has become a desirable residential area, and the subsequent development of support facilities should enhance the need for additional hotel development along Interstates 20 and 26 in this quadrant of the city.

In northeast Columbia, construction began on a 200-room Ramada Inn in early 1984. While this is the only lodging property currently underway, proposed development in this sector is rampant because of its position as the leading growth area of the city. This growth is due to the anticipated completion of Interstate 77 to Interstate 20 and the increasing commercial development progressing northward along the Interstate 77 corridor. Proposed projects include expansions to the existing Quality Inn—Northeast and Holiday Inn—Northeast, a 135-room Cricket Inn, a 100-room Budgetel Inn, a 120-room Hampton Inn and a 100-suite Best Western Clocktower Inn.

In other areas of the city, one of the first Hampton Inn Hotels to be constructed in the Southeast opened in early 1985 in west Columbia. An area of increasing development activity is located at the intersection of Interstate 126. The connecting arm of Interstate 26 provides direct access to downtown Columbia and Greystone Boulevard, another major artery in the city. The two properties currently proposed for development at this interchange, which is located approximately two miles northwest of the downtown area, are a 120-suite Brock Residence Inn and a 200-room Holiday Inn.

The Columbia area is expected to maintain its present rate of growth as a result of its aforementioned attributes; consequently, new lodging development opportunities should continue to occur.

R. Mark Woodworth
Henry Vickers
Atlanta

From Columbus

Consistent with the last several years, the Columbus lodging market again achieved the highest occupancy of the four major markets in the state of Ohio. Annual 1984 citywide occupancy neared 69 percent, a 2 percentage point increase above the reported 1983 level. Marketwide average room rates increased to nearly $42.25, approximately 7 percent above the previous year.

The growth in lodging demand continues to be fueled by the development of new office space, industrial parks and increasing convention attendance. While these factors have impacted nearly all sections of the Columbus lodging market, the downtown and north Columbus areas have benefited most significantly. These two market areas are expecting continued lodging demand growth because of commercial development over the next several years. Other market areas, including the I-70/East and Port Columbus Airport areas, have been experiencing spillover growth. This, in turn, has contributed to improving operating performance of existing hotels in these two market sectors.

New developments in 1984 occurred primarily in the north Columbus lodging market, where three all-suite hotels were opened in the last quarter of the year. These three projects—a 222-unit Embassy Suites, a 50-suite Lagniappe Inn and a 96-room Brock Residence Inn—have all been developed near the interchange of I-71 and I-270 and are located within one mile of each other. During the early part of 1985, work is scheduled to begin on two projects located near the High Street (Route 23) and I-270 interchange. The first project involves a 60-room expansion at the existing 184-room Hilton Inn—North, while the second is a new 247-room

Holiday Inn. The latter project is being developed in conjunction with the Crosswoods Center mixed-use development. Additionally, work began on a Brock Residence Inn that will be located in the east lodging market along I-270 near the I-70 interchange.

The downtown Columbus lodging supply also continued to grow during 1984. Work continued on construction of the flagship 196-room all-suite Pickett Hotel and the renovation of the 196-room Southern Hotel. Both are expected to open by mid-May 1985.

The 1984 operating performance of the Columbus lodging market exceeded expectations. The anticipated softness of the market in 1984 will more likely occur during 1985. This is due to generally slower demand growth, attributable to a marked slowdown in office and industrial developments and the opening of several new hotels later than originally scheduled during 1984. Convention demand is expected to continue to grow and will be a vital part of the Columbus lodging market. This, in turn, is likely to generate interest in new development opportunities primarily in the downtown area near the city's two major convention facilities, Veteran's Memorial Auditorium and Ohio Center.

Overall, Columbus continues to be a promising market area for selected future lodging developments. As the Columbus market continues to mature, outdated lodging facilities will be replaced with more competitive properties, that is, those aimed at serving specific target segments of the continually stratifying lodging market in Columbus.

Peter J. Weien
Cleveland

From Connecticut

Hartford, Connecticut's state capital, has historically been a hub of insurance and finance activity within the Northeast. Currently, there is almost two million square feet of office space in the Hartford area. Continued office space development in both the downtown and suburban markets (Windsor, Windsor Locks, Farmington, for example) will continue to strengthen Hartford's position as a center for commercial activity. The vacancy rate of office space in the greater Hartford area is 11.5 percent. While this number is relatively high, total vacant office space in Hartford decreased during the last quarter of 1984 after increasing steadily for two years. The unemployment rate in the Hartford labor market area for 1984 was 4.3 percent, compared to unemployment rates of 4.6 percent for the state of Connecticut and 7.4 percent for the nation.

The Farmington Marriott and the downtown Sheraton continue to be the market leaders of the existing upscale lodging supply. Hotel development in the Hartford area has shifted to the suburbs, including the following developments:

- A 200-room Holiday Inn, which opened in mid-1985 adjacent to Bradley International Airport.
- A 280-room Sheraton Hotel within Bradley International Airport, with construction planned to begin during mid-1985.
- A 250-room executive conference center in Windsor, scheduled to open in 1987.

The Hartford lodging market is expected to experience moderate strength during 1985. This steady increase in demand for hotel rooms will result from a decrease in the vacancy rate of new and proposed office space.

The city of Stamford contains approximately 10 million square feet of office space, which includes over one million square feet completed during 1984. There exists an additional four million square feet of office space proposed for completion through 1987. This large increase has brought with it a corresponding increase in hotel supply. During 1984, both the 384-room Holiday Inn--Crowne Plaza and the 463-room Stamford Plaza opened. Properties in Stamford that are under construction and scheduled to open in 1985 include:

- The 111-room Inn at Mill River.
- A 205-room addition to the Marriott Hotel.
- A 505-room Sheraton.

Other proposed additions to supply in Stamford include:

- A 300-room Radisson Hotel at the Merritt 7 complex expected to open in 1987.
- A 400-room Hyatt Regency on the border of Stamford and Greenwich, projected to open in 1987.

While Stamford has experienced healthy recent growth in lodging demand, the growth in lodging supply and in lodging facilities planned or under construction exceeds that growth in demand. It is therefore expected that, beginning in 1985, there will be a surplus of hotel guest rooms in the Stamford market area.

Larry Goland
New York

From Dallas

The lodging industry in Dallas experienced strong growth in 1984, achieving a citywide occupancy of approximately 64 percent, 4 percentage points above the 1983 level. Hotels in all market sectors realized increases in year-end occupancies ranging from less than 1 to approximately 9 percentage points above 1983 levels. The North Dallas and Dallas/Fort Worth International Airport sectors achieved the largest occupancy increases in the city and ended the year at 68.8 percent and 72 percent, respectively. The increase in occupancy achieved by all sectors indicates the strong absorption of rooms in the Dallas market during 1984.

Average room rates increased along with occupancy. The citywide average room rate for 1984 was $52.19, a 5.6 percent increase over the 1983 rate. All sectors, except Arlington, achieved increases in their year-end average room rate over 1983 levels. The increase is contrary to the 1983 results, when the citywide average room rate dropped approximately 3 percent compared to 1982 levels, due in part to the substantial increase in the number of rooms. The increase in average room rates during 1984 is attributable in part to a reduction in discounting as the new rooms have been absorbed by the Dallas lodging market. During 1985, it is anticipated that additional new rooms in the Dallas lodging market will be absorbed, and average room rates should continue to increase.

Dallas has developed rapidly as a commercial center, with particular strength in the high technology, real estate and finance industries. Total employment in the area has grown at an annual compound rate of approximately 5.5 percent between 1979 and 1984, with no one employment sector dominating the economy. This trend is anticipated to continue in the future.

For the third consecutive year, Dallas ranks as one of the nation's strongest markets in both new office construction and office space absorption. Approximately 7.9 million square feet of office

space was absorbed in the Dallas area during 1984. Although total absorption in 1984 was somewhat less than last year, total leasing activity and commitments for the year were substantial and represent a continuing healthy demand for office space. Approximately 18.9 million square feet of office space was added to the Dallas market during 1984, with an additional 24.2 million square feet anticipated for completion during 1985. Commercial activity is located throughout the city with strong concentrations of office space existing and under construction in the central business district, North Dallas (north of LBJ Freeway) and Las Colinas sectors.

As Dallas' economy continues to grow, the large number of additions to supply in 1983 and 1984 should continue to be absorbed. As a result, both occupancies and average room rates are anticipated to increase at moderate rates during 1985.

Andrew Kern
Margelia Jones
Dallas

From Des Moines

Continued downtown revitalization and the Iowa Democratic Caucuses contributed to improved occupancy performance for most lodging operations in Des Moines in 1984. The city experienced an average occupancy of approximately 65 percent for the year, a 14.7 percent increase over 1983. Average room rates increased more moderately, however, approximately 4.6 percent to $38.50.

The downtown skywalk system expansion will include the construction of 15 additional bridges by the end of 1985, for a system total of 31. This network of enclosed passageways connects the Marriott, the Savery Hotel and several office buildings. It will ultimately link the Hotel Fort Des Moines and the new 145,000-square-foot downtown convention center, scheduled for completion in July 1985. This new facility and the renovation of the Veterans Municipal Auditorium are expected to improve Des Moines' position in regional and national convention markets. The World Trade Center project is proposed for development next to the new convention center and will include over one million square feet of office, exhibition and retail space. A hotel is also planned in conjunction with the project. In addition, the Kaleidoscope, an enclosed shopping mall, is under construction and will be connected to the skywalk system.

The western suburbs, including the city of West Des Moines, are considered the premier development areas in the state of Iowa. Greyhound Lines is centralizing its accounting operations in West Des Moines in a new 156,000-square-foot building scheduled for completion in June 1985. Approximately 500,000 square feet of office space is proposed for development in West Des Moines in 1985. At this time, few hotels exist in this portion of the Des Moines metropolitan area, though continued office space development will spur significant amounts of interest for future hotel development.

The Merle Hay area continued as the major tourist lodging market in the Des Moines area. A 152-room Super 8 opened in late 1984, adding to the large inventory of economy properties located at the intersection of Merle Hay Road and Interstate 80.

No new development has occurred in the airport sector as the area hotel performances have generally followed citywide trends.

Although current and proposed commercial development in Des Moines will continue to positively affect area lodging demand, the currently depressed agriculture industry, upon which the Des Moines economy is heavily dependent, will offset this optimistic outlook somewhat through the short-term.

Richard M. Niedbala
Paul D. Enggaard
Kansas City

From Detroit

The improvement of the overall economy, specifically the resurgence of the domestic automobile industry, has brought lodging demand in Michigan back to pre-recession levels. Occupancies and rates in 1984 were significantly improved over 1983, particularly in the greater metropolitan Detroit area.

The airport market achieved the highest levels of occupancy at 80 to 85 percent. This market benefits from expanded service of several air carriers, in particular Republic Airlines, which increased activity by nearly 30 percent in 1984 at Metropolitan Airport.

The Dearborn Market, with the the influence of its major property, the Hyatt Regency, continued to have the strongest

Dallas
(New Properties)

Area	Property	Rooms	Status*
Downtown	Ambassador Park Hotel (renovation)	110	O
	Plaza Hotel (renovation)	173	U/C
	Crescent Hotel	226	U/C
Market Center and	Loews Anatole (expansion)	720	O
Stemmons Freeway Corridor	Embassy Suites	247	U/C
	Radisson Hotel	203	U/C
North Central	Holiday Inn — Plano	162	O
Expressway Corridor	Park Suite Hotel	280	U/C
	Colony Parke Hotel (renovation)	300	U/C
North Dallas	Garden Inn Motel	120	O
	Harvey House Hotel	429	U/C
D/FW International	Rodeway Inn	142	O
Airport and Las Colinas	Preference Inn	143	O
	Holiday Inn — South (expansion)	159	O
	Exel Inn	152	O
	Red Roof Inn	150	U/C
	Embassy Suites	321	U/C
	Ameri-Suites	126	U/C
	Las Colinas Inn and Conference Center	315	U/C
	Wyndham Courtyard	178	U/C
South Dallas	Lexington Inn Suites	108	O
East Dallas	Sheraton Inn (expansion)	80	O
	Exel Inn	114	U/C
Arlington	Charleys Club	192	O
	Sheraton Centre Point	320	U/C
	Summit Hotel	200	U/C
	Hampton Inn	140	U/C
	Amberley Suites	185	U/C

*O – Open; U/C – Under Construction

appeal to groups business and, also, to increase its commercial base. Greenfield Village and Henry Ford Museum, located near the Hyatt, attracted near record crowds in 1984, which made the tourist demand the "frosting on the cake" in this market. A new 246-room Holiday Inn is scheduled to open in mid-1985.

Northwest of the city in the suburbs of Southfield, Farmington Hills, Livonia and Novi, commercial demand flourished. The Southfield Sheraton has become a Hilton. Hampton Inn, Quality Suites and Marriott Courtyard all are rumored as strong possibilities. The Novi Hilton plans to open in July 1985. Office space continues to absorbed rapidly in this area. Easy access to downtown and the airport, as well as the burgeoning local market, makes this area very appealing to the commercial traveler.

The Troy market and the Van Dyke corridor in Warren are located to the north and east of Detroit, respectively. This market is highly commercial and appears not to be rate sensitive at this time. With occupancies in the 70 to 75 percent range, the Monday through Thursday market is exceptional but weekends are soft. Nonetheless, the market is being besieged by developers from around the country due to the commercial growth in the area. Tightly controlled zoning in the city leaves few prime sites in the Troy area. Growth in the heavily industrialized Van Dyke corridor has attracted several economy lodging facilities and has encouraged existing full-service properties to plan expansions.

The downtown area achieved occupancies in the mid-50 percent range in 1984, as debate continues over the proposed expansion of Cob Hall. The Omni is currently preparing to open in the Millender Center near the Renaissance Center, which is receiving a several million dollar overhaul. The other major property downtown, the Pontchartrain, has been sold and is also receiving a face-lift. With new development on the Riverfront and first-class apartments opening downtown, this market may be a sleeping giant.

The Grand Rapids, Kalamazoo, Lansing and Ann Arbor markets all remain stable and local developer interest remains strong. Occupancies in the 60 to 70 percent range and increasing rates have boosted expectations here. Increased business and tourist travel, as well as regional sourcing by the recovering automobile industry, are two primary reasons for the out-state performance.

In general, Michigan has rebounded from the deep recession of the early 1980s. The Traverse City/Petoskey area is pursuing regional group business via the Grand Traverse Resort, Hilton Shanty Creek, Boyne USA and the proposed Bayside Inn. This group business should complement the heavy tourist business that already exists for sun and sand, golf and winter skiing. This area should be a key target for the state of Michigan's expanded emphasis on tourism.

Charles A. Skelton
Detroit

From Fort Worth

Overall market occupancies in Fort Worth showed little change during 1984 when compared with 1983 results. The overall occupancy rate for Fort Worth during 1984 was approximately 63.8 percent, compared with approximately 64.5 percent during 1983. This was the result of an approximate 13 percent increase in the number of available hotel rooms in conjunction with an approximate 12 percent increase in demand for rooms. Market average room rates climbed 16 percent, to approximately $41.40 during 1984.

Five new properties opened in the Fort Worth area during 1984.

- A 115-room Texian Inn located near Precinct Line Road and Airport Freeway.
- A 75-room Delux Inn located along south Interstate 35W.
- A 104-room Apple Inn located along south Interstate 35W.
- A 247-room Holiday Inn—Fort Worth South Conference Center.
- A 55-room expansion to the existing Best Western—Sandpiper Inn located at Meachum Field Airport.

The Fort Worth lodging market has grown in 1984, and market indicators suggest new growth in all segments for 1985. Fort Worth recorded an office space market occupancy of 75 percent in 1984, with a record amount of nearly 1.4 million square feet of space absorbed. Approximately 546,000 square feet of office space is expected to be completed during 1985.

Additional efforts to promote Fort Worth as a viable meeting and convention location are underway by the Convention and Visitors Bureau and are expected to generate additional room nights during 1985. Tourism has steadily increased in Fort Worth as visitors to the Dallas/Fort Worth metroplex travel to see the historic Stockyards and other attractions including the Fort Worth Museum of Science and History, the Amon Carter Museum, the Kimball Museum and the Fort Worth Zoological Park and Botanical Gardens. Preparations are also underway for Fort Worth's 1986 Texas Sesquicentennial celebration.

In summary, the outlook for 1985 is positive. Increases are expected in both occupancies and average room rates for lodging facilities in the Fort Worth area.

Timothy Marvin
Margelia Jones
Dallas

From Galveston

Galveston area lodging demand is heavily dependent on tourism. In 1984, the downturn in the Texas economy continued to limit discretionary travel in the state. Further compounding problems for the Galveston area lodging industry was a one million barrel oil spill in the Gulf of Mexico that reached Galveston beaches in August 1984. Although the city of Galveston responded quickly and performed an admirable clean up job, press coverage of this event had a negative impact on Galveston's tourist demand. As a result, tourist demand during the peak occupancy periods was lower than 1983 levels.

Year-end 1984 occupancy was estimated at 58.2 percent, representing a 7.7 percentage point decline from 1983. This decrease was caused in part by several new properties opening during 1984. New additions to the lodging supply during 1984 include:

- The 244-room San Luis on the site of the Fort Crocket Bunker.
- The 185-room Holiday Inn adjacent to the San Luis.
- A 126-room TraveLodge.
- A 151-room Ramada Inn at the airport.
- A 69-room Airport Resort Inn.

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Certified Public Accountants

- The 88-room Republic Inn.
- The 150-room Tremont Hotel opened February 15, 1985.

The city has also experienced substantial growth in condominium units. During 1984, 543 units opened in the Galveston area. Condominium development negatively impacts hotel occupancies as many condominium owners place their units in rental pool programs. Therefore, guests that might typically use hotel rooms may choose condominium lodging instead.

Extensive development in many other areas of real estate continues to occur in the Galveston area. Some of the major development projects are:

- A major mixed-use resort, known as Gold Cloud, began construction during June 1985 on the West Beach. This development includes condominiums, vacation homes, a golf course, a hotel and some commercial development.
- A hotel and condominium development is proposed for East Beach. This project, called Grand Point, is being developed by Houston developer J.R. McConnell and designed by Michael Graves.
- An expansion of St. Mary's Hospital that would increase its size by 60 percent is under construction.

The city has continued adding to its tourist attractions in recent years. New events and attractions include:

- A Mardi Gras scheduled to occur each February in the city.
- The Hope equestrian arena.
- The Colonel paddle wheel boat scheduled to begin service in the summer of 1985.

The extensive development occurring on Galveston Island should continue to positively impact growth in tourism. Subsequently, occupancy levels are expected to rise over the next few years.

Tony Levinson
Houston

From Greensboro/High Point/Winston-Salem

The Greensboro/High Point/Winston-Salem area, known as the Piedmont Triad, continued to enjoy healthy economic growth during 1984, primarily due to the expanding trade, service and high-technology industries. However, as a result of the significant supply increases experienced in the Triad area, occupancy levels at area hotels were weaker than in 1983.

In Greensboro, a 285-room Sheraton Hotel opened in the central business district and represents Greensboro's highest quality property. In addition, a 109-room Red Roof Inn and a 124-room Comfort Inn opened on Interstate 40 in the southwestern sector of the city. Future additions to the city's supply of guest rooms include a 108-room Skylight Inn, currently under construction, a proposed 128-suite Residence Inn and a proposed 164-room expansion of the Holiday Inn — Four Seasons.

The opening of the 253-room Radisson Hotel in 1983 precluded further lodging development in High Point, home of the semiannual Southern Furniture Market. Although the city's lodging market continues to grow at a moderate rate, the Radisson has not yet been fully absorbed, decreasing the likelihood of additional development in the near- to mid-term.

Development activity in Winston-Salem was highlighted by the opening of the 300-room Winston Plaza, located adjacent to the M.C. Benton Convention Center. The convention center is in the process of being expanded to approximately double its current size. According to city officials, the expansion should significantly increase the city's ability to attract conventions and large group meetings. Proposed developments include the renovation of the Hyatt Winston-Salem and the construction of a lodging facility in the Madison Park development in the northern sector of the city.

Despite steady economic growth in the Piedmont Triad and the resulting increase in demand, the recent opening of several first-class lodging facilities has resulted in a highly competitive market and will likely limit the development of additional properties. However, as a result of the continuing diversification of the Triad economy and the area's anticipated economic growth, long-term prospects for lodging operators appear favorable.

William J. Spears
Charlotte

Hank Staley
Atlanta

From Houston

Occupancy in the Houston lodging market declined for the second consecutive year in 1984. Citywide occupancy was 50.7 percent, a 3.1 percentage point decrease from 1983. This decline was primarily attributable to the net increase of 3,743 rooms, which exceeded the increase in demand. The actual number of room nights occupied was up about 5 percent during 1984, signaling an improvement in market conditions. Average room rates increased less than 1 percent from $49.80 in 1983 to $50.03 in 1984. Changes in average room rates for specific geographic sectors ranged from a decrease of approximately 2 percent downtown to an increase of approximately 8 percent for the east sector. The

Houston
(1984 Additions)

Area	Property	Rooms
North	Lexington Motor Inn	254
	TraveLodge — I-45 North	96
	TraveLodge — Humble	77
	Wyndham at Greenspoint	473
Northwest	Texian Inn	115
West	Park 10 Holiday Inn — Crowne Plaza	357
West Loop	Holiday Inn — Crowne Plaza	501
	InterContinental	514
Southwest	Holiday Inn — Greenway Plaza	364
South	Best Western — Dome Royale	111
	Marriott Medical Center	398
	Wyndham at Travis Plaza	185
	Quality Royale — Astrodome	242
	Texian Inn — Astrodome	115
Southeast	Super 8	78
East	La Quinta — Baytown	130

accompanying table summarizes 1984 additions to Houston's lodging supply.

Additionally, there were some reductions in supply during 1984 due to the consistently low market occupancies. The 207-room Guest Quarters—Galleria East discontinued operation as a hotel. It will reopen some time this year as an apartment building. The Whitehall Hotel, located downtown, closed some of its rooms and only operates the remaining 135 rooms on Monday through Friday. As the market improves, the remaining rooms will be put back into operation.

The lodging development pace is expected to slow considerably over the next several years. Two hotels, the 224-room Savoy located downtown and the 203-room American Inn located near Greenway Plaza have closed in 1985. These properties were both nearly 20 years-old. The following table summarizes additions to supply for 1985 and 1986:

Area	Property	Number of Rooms	Opening Date
Southwest	Texian Inn	115	1985
	Brock Residence Inn	152	1985
South	Hotel Luxeford	191	1985
Southeast	La Quinta—Hobby Airport	129	1985
	Airport Inn	120	1985
	Rodeway Inn—Hobby Airport	200	1985
	Hobby Airport Plaza	292	1986
Northwest	Comfort Inn	114	1985

A number of factors should positively impact Houston's future economic growth. The Houston Economic Development Council was launched in the summer of 1984. This agency, with a budget of $5.5 million for its first two years, was formed to stimulate quality economic growth and stability in Houston through the expansion of existing businesses and the attraction of new companies. They are also developing a long-term marketing program for Houston. NASA has named the Johnson Space Center in Clear Lake as the lead center for the proposed space station program. The commercialization of space, a by-product of this program, should create an expansion of private sector aerospace businesses in the Clear Lake area. Houston is under cgnrideration as a potential site for a new naval installation and the location of the General Motors plant which will produce its new Saturn car. These developments should provide a more diversified economy less prone to the fluctuations of the oil and gas business, although this industry will still be important to the Houston economy. The George Brown Convention Center, currently under construction in downtown Houston and expected to open in 1987, should also have significant impact on the local economy in general and the hotel industry specifically.

Demand for hotels should continue to increase moderately during 1985 and 1986. Occupancy levels should increase slightly, but will not show any marked improvement until recent and new supply additions are absorbed. In future years, both occupancy levels and average room rates should return to more normal levels as the local economy shows the effects of the previously mentioned economic developments and hotel development activity slows down from the frenzied pace of the early 1980s.

Diane Parmerlee
Houston

From Kansas City

The Kansas City lodging market showed moderate increases in both occupancy and rate in 1984. Occupancy registered 65.1 percent, an increase from the 1983 level of 63.3 percent. Supply increases were concentrated within the first-class market. A banner convention year, stabilized economic conditions, high levels of commercial development and airline activity contributed to the positive performance of the Kansas City lodging industry.

First-class properties continue to perform well above the general market, recording a 70 percent occupancy in 1984, approximately 1 percent over 1983 levels. Vitality is demonstrated in this market with growth in accommodated demand, 9.1 percent, exceeding the 7.8 percent growth in supply. Both additions to supply, the 402-room Marriott and the 199-room Embassy Suites, occurred in the high-growth suburban Johnson County market.

Kansas City's most dynamic economic element is the high level of commercial development underway in the central business district, midtown and suburban markets. Currently, a record level of approximately 2.3 million square feet of office space is under construction within the central business district. An additional 700,000 to 900,000 square feet is currently undergoing site preparation. Key projects include major bank buildings and a large (more than one million square feet) office and retail complex to house the AT&T regional offices and the Galleria shopping mall. Leading this revitalization is the long-awaited 574-room Vista International Hotel, which opened in March 1985, one block from the H. Roe Bartle Exposition Center. The exposition center itself is undergoing a 50,000-square-foot expansion of its meeting rooms.

Most recently, the Country Club Plaza, distinguished nationally as a retail, restaurant and residential development, has emerged as a prime location for commercial development. Currently, over 600,000 square feet of commercial space is under construction in this midtown area, including:

- Plaza West, a 450,000-square-foot two-tower development.
- One Main Plaza, a 600,000-square-foot mixed-use development, to include three office towers and a 300-room Crowne Plaza Hotel.
- An expansion of the Kansas City Board of Trade, representing 200,000 square feet.

Additional Plaza projects announced or in the site preparation stage represent approximately three million square feet, including two major mixed-use projects with proposed luxury hotel components.

After an extended period of limited growth, the airport lodging properties recorded significant gains in occupancy and rate in 1984. Kansas City's selection as an Eastern Airlines hub has spurred growth in airport-related commercial development and increased enplanements 28 percent over 1983 levels.

A slight softening of the first-class market is anticipated in the near-term because of the full market impact of the 584-room Vista International, reduced levels of citywide convention activity and the addition of the Crowne Plaza Hotel in late 1986. These supply additions will, however, be mitigated by the anticipated

increase in demand associated with the commercial office absorption already underway; this should maintain demand growth at strong levels.

Jo Beth Noyes
Paul D. Enggaard
Kansas City

From Las Vegas

The Las Vegas lodging industry maintained approximately the same occupancy percentage in 1984 as in 1983, despite the nationally publicized three-month strike by the culinary and stagehand unions in the spring. The minute 0.1 percent decrease in occupancy, resulting in an area-wide occupancy of 72.5 percent, can be attributed primarily to the four months most affected by the strike, the only months with decreases from the prior year. Had the strike-affected months maintained the same occupancy as the prior year, the annual occupancy would have increased approximately 2.5 percentage points as anticipated. Las Vegas exceeded the national occupancy average for 1984 by more than 7 percentage points, with weekend occupancies averaging greater than 92 percent in hotels and 80 percent in motels.

Las Vegas hotels averaged 77.6 percent occupancy, while motels averaged 61.7 percent occupancy. Although occupancy remained fairly stable, the convention business continued to grow in 1984. There was an 11.4 percent increase in delegates and a 10.2 percent increase in the number of conventions, bringing an estimated $792 million in convention-related revenue.

There are currently more than 54,000 rooms available in Las Vegas and approximately 2,500 more under construction, including expansions to the Tropicana and Circus Circus casino hotels. The Las Vegas Hilton has recently added a 70,000-square-foot exhibit hall to its existing convention facility, bringing the hotel's total meeting space to over 230,000 square feet. The Las Vegas Convention Center added 120,000 square feet of exhibit space in 1984, bringing the total convention space to over 1.3 million square feet.

The city has been aggressively marketed as a destination resort and major convention location; more than $2.5 million has been allocated to promote the convention center in 1985. The result has been a significant growth in recent convention bookings, including the National Computer Show (60,000 delegates), the American Bowling Congress (80,000 delegates) and the National Finals Rodeo, expected to sell over 160,000 tickets with projected economic impact of $43 million.

Las Vegas continues to promote major sporting events, such as World-Class Boxing, Grand Prix racing and professional golf and tennis tournaments. In the spring of 1985, Wet'n Wild, a water theme park, will be opened on the Las Vegas Strip. It is the first major attraction in Las Vegas aimed at the family tourist segment.

In 1984, Las Vegas attracted 12.8 million visitors, a 4 percent increase over 1983, and brought in $6.3 billion in tourism revenues, a 6.3 percent increase over 1983. Steady future growth is projected in all market segments, with an emphasis on the convention and tourist segments.

L. Ralph Piercy
Las Vegas

From Long Island

Long Island continues to draw some of the most intense new commercial development in the New york City metropolitan region. Due to the Island's geographic orientation, real estate development has historically moved from the areas adjacent to New York City outward toward the eastern regions. As development moved east, Long Island lost some of its suburban or "bedroom community" aspects, and began to form a distinct commercial base of its own. Long Island's attractions are numerous: a large, well-educated population base, proximity to New York City and much lower per square foot development and rental costs for office and industrial space. These factors, particularly the price disparity, are attractive to New York-based companies, many of which wish to relocate back-of-the-house and other nonessential functions to areas less costly than Manhattan.

As in most emerging suburban New York areas, hotel development has followed the recent commercial urban exodus. Existing Long Island hotels continued to operate strongly in 1984, a year characterized by a continuance of new development and resultant strong occupancies in a market where no new rooms were developed. The lack of new hotel development in 1984 was surprising in light of the strong market and the number of proposals made by hotel developers. One problem on Long Island is land cost, which tends to be higher than many suburban areas. Despite this, Long Island's approximately 3,500 hotel rooms were well utilized in 1984, with occupancy percentages ranging in the mid-to-upper 70 percent range.

Most development in Nassau County has centered on Mitchell Field, a 1,000-acre former Air Force base. The 17,000-seat Nassau Coliseum is the center of Mitchell Field development, with numerous office complexes recently finished or currently under development surrounding the field. Hotel development in this area includes the Long Island Marriott and the Garden City Hotel, both developed in 1983. Numerous proposals abound, including the Marriott and a new hotel adjacent to Roosevelt Raceway. During 1984, this market demonstrated an area-wide occupancy of 78 percent, up slightly from 1983.

Much of Nassau County's developable land is taken, forcing developers to consider Suffolk County locations to the west. Route 110, a corridor stretching along the Nassau County border, is the most notable center of development in Suffolk County. This area contains approximately 4.5 million square feet of office space, most of which was developed during the past nine years. Existing area hotels, all built between 1960 and 1965, account for 366 rooms. Occupancies are in the mid-to-upper 70 percent range at these properties. The level of lodging activity surrounding this corridor is strong enough to have prompted proposals for approximately eight hotels totaling 1,500 new rooms. Due to various problems, particularly the difficulty of getting zoning and municipal approvals, none of these projects have broken ground.

Another area of Suffolk County that has been the scene of much recent development is the region surrounding Hauppauge. The general region stretches from Exits 52 to 57 along the Long Island Expressway. Hauppauge is one of the most heavily industrialized areas in the Northeast, currently exhibiting 13 million square feet of developed space. Most of the industrial concerns in the area are connected to the electronics or aeronautics industries, owing to large local government contracts such as Grumman and

Republic Fairchild. The market leader in the lodging industry is the three-year-old 212-room Sheraton Smithtown. Market-wide occupancy was close to 80 percent in Hauppauge for 1984, up 2 to 3 points over last year. New hotels proposed for the area include additions to the Sheraton and the Ramada-Hauppauge, a 300-room Crowne Plaza, a 400-room hotel at the current site of Colonie Hill and three budget properties. Again, none of these projects have broken ground.

The outlook for Long Island for 1985 is optimistic as the commercial areas continue to develop fully.

Thomas McConnell
New York

From Los Angeles

The greater Los Angeles area lodging market experienced a slight decline in occupancy, from 73.3 percent in 1983 to 71.1 percent in 1984. This decline is attributed to the effects of the strong dollar on commercial and tourist travel, and to overbuilding in some submarkets of Los Angeles County. However, total room night demand increased by approximately 8 percent, indicating the overall strength of the Los Angeles market despite the decline in occupancy. Generally, higher occupancies were achieved than in both the Western Region and the overall national lodging market.

Hotel construction continued at a rapid pace in 1984 with 3,952 rooms added throughout the Los Angeles area. In 1985, an additional 2,794 rooms are expected to be added to the total lodging supply. New hotel development in Los Angeles reflects the national trend towards product segmentation, as limited-service and all-suite hotels are either under construction or proposed in a number of submarkets. In addition, numerous lodging facilities are proposed as components of mixed-use developments which typically include hotel, office and retail uses as part of the total project.

Los Angeles area hotels experienced mixed results from the 1984 Summer Olympics. While major hotels in downtown Los Angeles, Beverly Hills and the Westside benefited from the Summer Games, properties in a number of submarkets suffered significant declines when the expected boom in tourism did not materialize. The mixed results have been attributed to the anticipated traffic congestion, scarcity of hotel rooms and general overcrowding. Additionally, commercial travelers to Los Angeles cancelled or postponed scheduled trips during this period.

Coinciding with the 1984 Summer Olympics was the opening of the Bradley International Terminal at the Los Angeles International Airport. There was also extensive renovation to other terminals and to the surface street access. The $500-million renovation of the airport will position Los Angeles as the nation's gateway to the Orient and the Pacific Rim, in addition to alleviating serious passenger and traffic problems. The airport area lodging market has benefited directly from these major improvements. The 1984 occupancy level was approximately 75 percent, an increase of 2 points over 1983. Most of the nation's major hotel operators are represented and continue to be attracted to the LAX lodging market. The 615-room Holiday Inn-Crowne Plaza opened in 1984; properties under construction include:

- The 750-room Stouffer's Concourse.
- The 350-room Embassy Suites, scheduled to open in the summer of 1985.
- The 400-room Manhattan Beach Radisson Plaza (franchise).

The airport's office market consists of over 10 million square feet of office space with approximately 900,000 square feet constructed in 1984. An additional 800,000 square feet are expected to be built in 1985. Although somewhat overbuilt, real estate professionals anticipate strong leasing activity during the next two years.

The downtown Los Angeles lodging market achieved an annual occupancy of 65.1 percent in 1984 which is relatively strong, based on limited weekend demand. The downtown area experienced peak demand during the 1984 Summer Olympics—one of the few markets in the Southern California region that performed as projected.

Hotel development downtown includes a proposed 300-room deluxe or luxury property at California Plaza and proposed renovation of two existing properties. The quality of these properties will be upgraded while the number of rooms will be decreased.

Active commercial development continues in downtown Los Angeles. California Plaza is under construction and will consist of 3.2 million square feet of office space, an art museum, hotel and retail space. Citicorp Plaza is expected to open in late 1985 with an addition of 2.5 million square feet of office space and 350,000 square feet of retail space. A major new proposed project is the Library Square development, which will include two office towers for a total of 2.5 million square feet and the renovation and expansion of the Los Angeles Central Library.

Despite the active commercial development in the downtown area, total room demand is expected to soften in 1985.

Los Angeles County
(New Properties)

Area	Property	Rooms	Year
Downey	Embassy Suites	250	1985
Hollywood	Hollywood Roosevelt	380	1985
Long Beach	Ramada Renaissance	380	1985
	Long Beach Airport Marriott	313	1986
Los Angeles	Granville	47	1985
	Mid-Town Hilton	210	1985
Los Angeles International Airport	Embassy Suites	350	1985
	Residence Inn	176	1986
	Stouffer's Concourse Hotel	750	1986
Manhattan Beach	Manhattan Beach Radisson Plaza	400	1986
Marina Del Rey	Marina Beach Hotel	300	1985
Monrovia	Holiday Inn	181	1986
Pomona	Shilo Inn	162	1985
Torrance	Marriott	497	1985
West Hollywood	Le Reve	80	1985
	Le Valadon	138	1985
Woodland Hills	Marriott	477	1986
1985 openings		2,794	
1986 openings		2,297	
Total		5,091	

This is due to the effect of the strong dollar on international travel, the appeal and accessibility of Beverly Hills and other Westside properties to commercial travelers, and the impact of attractive, high-end first-class properties in the Los Angeles International Airport area.

Long Beach was one of the stronger growth areas in Los Angeles County in 1984. The annual area-wide occupancy for 1984 wss 76.9 percent, a 5.3 percent increase over the 1983 area-wide occupancy of 73 percent. Additionally, the area-wide average daily room rate has increased by approximately 19 percent. These market conditions have spurred the development of a number of hotel projects. One renovated hotel, The Breakers, opened in 1984. The Long Beach Airport Marriott and the Ramada Renaissance are both under construction and scheduled to open in 1986, and six other major hotel projects are proposed for this lodging market.

Greater Los Angeles area hotels achieved an average daily room rate of $73.55, an increase of approximately 13 percent from 1983. An increase of 8 percent in the average room rate is projected for 1985.

Mitchell S. Roberts
Catherine M. Schuster
Los Angeles

From Minneapolis/St. Paul

The lodging industry in the Greater Minneapolis/St. Paul area experienced overall growth in 1984. Continued growth in commercial demand and disposable income, the increasing popularity of weekend packages and an increase in the size and mobility of the convention and meeting group business contributed to increased revenue and spurred growth in lodging development. In addition, the ongoing recovery of the economy resulted in increases in passenger traffic at the Minneapolis/St. Paul International Airport and in the number of conventions held at the Minneapolis Auditorium.

The overall metropolitan statistical area occupancy rose 4 percentage points, with total room sales increasing 12 percent over the 1983 level. While inflation in the Twin Cities area was 3.6 percent, average room rates were up 4.6 percent, indicating that real increases in room rates were experienced in 1984.

In 1984, 952 rooms came on-line in five new full-service properties, resulting in an overall supply increase of approximately 5.5 percent. During the period from 1979 to 1984, there was a net increase of approximately 5,810 rooms in the Twin Cities lodging market, resulting in an inventory of more than 16,200 rooms. This represents over a 50 percent net increase in supply during the five-year period. Another 1,800 rooms are expected to come on-line during 1985.

Hotel developers and franchise companies are showing strong interest in the southwest suburban area as a result of an annual market occupancy of over 72 percent and the significant commercial development that has occurred and is expected to continue there. The opening of the Lakeville Lodge Best Western brings the full-service inventory to approximately 4,550 rooms. Over 400 rooms are expected to be added to the supply during 1985: the 128-unit Resident Inn and the 147-room Holiday Inn in May and the 85-room Thrifty Scot (McStop) in August. An additional 450 rooms are under construction with the 300-room Embassy Suites and the 146-room Clocktower Inn. Market segmentation is a key issue as the lodging market proceeds through a period of realignment. As a result, existing properties are speculating on the potential impact of this increased specialization. Several properties are currently upgrading, adding concierge floors and emphasizing customer services.

With the Minnesota State Legislature legalizing parimutuel betting within the state, developers are just now nearing completion of the new race track in Shakopee on Highways 101 and 83. The track is expected to open on June 28, 1985. The first-year race season will run through September, and the second season will be expanded to run from April 25 to November 30. Race track officials expect close to 900,000 visitors for the first year and 1.5 million visitors for the expanded season in 1986. The race track and its related activities are expected to have a substantial positive impact on lodging demand in the southwest area.

The Minneapolis downtown zone has undergone an impressive facelift since 1981. Although the overall supply of rooms has not increased during this time, the quality has improved significantly. The Radisson and Curtis Hotels, both obsolete properties, were removed in 1981 and 1983. The quality which was introduced in 1981 with the Hyatt Regency has been carried through in the 600-room Amfac in 1983, the $2.4 million renovation of the Northstar, the 265-room Radisson Metrodome and the 220-room Embassy Suites in 1984. Also, construction has begun on a 354-room Radisson downtown. Another 582 rooms are expected to come on-line in 1985 with the 351-room Radisson Campus and the 231-room Luxeford Hotel.

The Minneapolis Community Development Agency has designated 113 acres around Washington Avenue in downtown Minneapolis as the Minnesota Technology Corridor. Plans include the expansion and upgrading of Washington Avenue and the development of an $11.5 million Super Computer Center in conjunction with the University of Minnesota. The first stages of construction are expected to begin in 1985.

Downtown Minneapolis has been selected as the site for the Minnesota Convention Center. It will be located in a six-block area on North First Avenue extending from Seventh Street to Tenth Street, adjacent to Butler Square. The facility is proposed to include a 300,000-square-foot exhibition hall and extensive food and beverage facilities. The new convention center should have a positive effect on the overall Twin Cities lodging market.

In the St. Paul area, room night demand in full-service properties increased significantly, stimulating the absorption of the Embassy Suites and St. Paul Hotel in 1983 and the 120-room Fair Oaks, 100-room Drovers Inn, 93-room Best Western Country Inn and the 207-room Holiday Inn McKnight, which opened in 1984.

Figures from the St. Paul Convention and Visitors Bureau indicate a decline in the number of conventions from 1983; however, the overall number of attendees increased 9.8 percent.

The $42 million Ordway Theatre and Landmark Center opened its doors in January 1985. This 1,800-seat theater is not only an attribute to the city's cultural base, it also provides additional meeting facilities for conventions and groups.

St. Paul was designated as the city for the development of the World Trade Center. Plans for the development include 430,000 square feet of office space,

125,000 square feet of retail space and a proposal for an upscale 250-room hotel. The World Trade Center, which will be adjacent to the state Capitol, is expected to open the door for a substantial amount of commercial growth.

The supply of economy lodging accommodations held constant at approximately 2,700 rooms during 1984. The overall Twin Cities economy lodging market occupancy increased 10 points to reach 68 percent in 1984. Room rates for those economy motels responding to the survey increased 3.6 percent, to reach $29.39 at year-end 1984.

There is an optimistic outlook for the future of the economy lodging industry in the Twin Cities, specifically in the outlying areas. The price-conscious traveler provides economy properties with a stable base, as well as potential for growth. Economy properties have been well received, and economy chains have exhibited a significant interest in continued development.

Looking ahead to 1985, a moderate increase in overall lodging demand in the Twin Cities market is expected as the commercial base widens and matures. Commercial lodging demand will experience strong increases as a result of the area's growth in the research and technology fields. Group meetings and convention-related demand are expected to demonstrate moderate increases as the local group meetings show growth in the number of attendees and their average length of stay; however, this is expected to be offset by a period of no growth in the national association segment between 1984 and 1985. The tourist segment is anticipated to grow strongly in the southern and western suburbs in 1985, with the initial impact of the Canterbury Downs Race Track. It is expected that room sales per occupied room will increase above the rate of the consumer price index because of the upgrading of the quality of facilities and services, provided there is an increase in overall demand. In general, as the Twin Cities continue to develop, many current proposals should be realized, particularly in the southern and western areas.

Janene McBride
Stacy McMahon
Minneapolis

From Myrtle Beach

The Myrtle Beach area continued to grow as a major moderately priced resort destination during 1984. Centrally located on the Grand Strand, a 60-mile stretch of land which extends from Georgetown, South Carolina, northward to the border of North Carolina, the area is defined to the east by the Atlantic Ocean and to the west by the Intracoastal Waterway. Local officials estimate that 11 million people visited the Grand Strand during the year, which represents a compound annual increase of approximately 7.8 percent in tourist traffic over the past decade.

Myrtle Beach is the focal point of tourist activity on the Grand Strand, catering primarily to beach-related tourists during the summer and golfers and migratory retirees enroute to or from Florida during the spring and fall. In contrast to many other seaside summer resorts, Myrtle Beach does not represent a one-season lodging and tourist market. Because of the Carolinas' reputation as excellent golf country and the construction of 38 18-hole golf courses, the Grand Strand has been established as an important center for the sport during the spring and fall.

Due to the continuing recovery of the national economy and the increasing popularity of the Myrtle Beach area as a vacation destination, 1984 represented a year of intense real estate development activity on the Grand Strand. New and proposed construction primarily took the form of condominiums and nonregistered condominium hotels. In addition, several existing lodging facilities have been converted to time-sharing properties. There currently exists approximately 45,000 rentable accommodations on the Grand Strand, approximately 15,000 units of which are contained in hotels and motels. A large percentage of the existing hotel and motel properties are small (10-70 units), limited-service, "mom and pop" operations that are in need of substantial refurbishment. While the leading full-service operations in Myrtle Beach experienced strong occupancies for the most part, the majority of the small facilities, particularly those not located on the oceanfront, were adversely affected by new condominium construction, as many former guests opted for more modern accommodations.

New hotel construction along the oceanfront consisted of the 239-unit Quality Royale Bluewater Resort condominium hotel, the 115-unit Carolina Winds condominium hotel and an 80-unit addition to the Sand Dunes Resort Hotel, all of which were completed in late 1984. Projects currently underway include the 360-unit Quality Royale Beach Cove Inn condominium hotel, a 200-unit expansion to the Ocean Dunes Resort and Villas, a 250-unit expansion to the Sands Ocean Club Resort Hotel and an addition of 6,000 square feet of meeting space to the Myrtle Beach Hilton. Additionally, at least 11 major high-rise condominium projects are in varying stages of development along the Grand Strand's coastline.

During 1984, the area west of the Intracoastal Waterway, proximate to the Waccamaw Pottery complex, emerged as a new lodging market in the Myrtle Beach area. A 150-room Holiday Inn and a 58-room independent economy property were opened during 1984. A 150-room Quality Inn is currently under construction in this sector.

The outlook for the Myrtle Beach lodging industry looks positive. Tourism is expected to continue its impressive growth; the permanent population of the Grand Strand is expected to increase dramatically over the next 10 years; several new golf courses and other recreational facilities are planned; and an expansion of the existing convention center is under consideration. However, the previously discussed "mom and pop" operations will likely experience increasingly depressed levels of utilization as new accommodations become available along the Grand Strand.

R. Mark Woodworth
Henry Vickers
Atlanta

From Nashville

Nashville has continued to gain national recognition as the country music capital of the United States. It is the home of the Grand Ole Opry, Opryland and the Country Music Hall of Fame. In addition, a country music cable network has begun broadcasting out of the Music City, enhancing the city's image as a major tourist destination. Because of the city's consistently strong levels of commercial

demand and a growing convention/group meeting market, the area lodging market is not subject to severe seasonal fluctuations.

During 1984, area occupancies increased to approximately 70 percent over a 1983 level of 65 percent, representing a 7.2 percent gain. During the same period, average room rates increased approximately 7 percent over 1983 levels, resulting in an aggregate rate of $48.25. The increase in occupancy is attributed to overall economic recovery, the continued influx of new industry to the area and the absorption of recent additions to the area lodging supply.

The Opryland Hotel is still the leading hotel in Nashville, combining a large concentration of meeting space with the excellent service and facilities associated with Opryland. The 468-room expansion was completed in 1983, and the hotel has already achieved utilization equal to or greater than that before expansion. The hotel can offer conventions a total of 225,000 square feet of meeting space and 1,076 guest rooms.

Progress has continued on the construction of the new Nashville Convention Center. The project, which is expected to bring new life to the downtown area, includes a 700-room Stouffer Hotel, a 120,000-square-foot exhibit hall, three ballrooms and 26 break-out rooms. The site is located within two blocks of the Hyatt, Hermitage and Radisson Hotels, which will provide an abundance of first-class accommodations for conventions. As the growth of the other segments of lodging demand in downtown Nashville has slowed in recent years, partially as a result of intensified suburban competition, the increase in group meeting demand appears essential to the long-term success of these properties. The convention center also will help revitalize a deteriorating pocket in the downtown area and support the nearby riverfront park development, which is a mixed-use food, beverage and retail area.

Future growth in overall demand in the Nashville lodging market depends largely on the availability of meeting facilities and related accommodations. In addition to the convention center, the 350-room Vanderbilt Plaza, a Lincoln property, opened in May 1984. Situated next to Vanderbilt University, the property features an 8,000-square-foot ballroom and a connecting lobby to the 145,000-square-foot office building located adjacent to the hotel. Furthermore, the 412-room Sheraton Music City, located on McGavock Pike near the Nashville Metropolitan Airport, opened in January 1985, and the Hampton Inn, located at I-65 and Brick Church Pike, opened in April 1985.

The recent increases in occupancies and average room rates have elicited additional interest in hotel development. Currently, there are numerous projects proposed or under construction throughout the area. In Brentwood, located south of the city on I-65, a Hampton Inn is under construction and a Marriott Courtyard is scheduled to break ground in the summer. The area of Briley Parkway and Elm Hill Pike, located near the airport, is still undergoing new construction. Construction began in the spring of 1985 on a 120-room Days Inn located next to the existing Holiday Inn. The Lexington Suite Hotel is scheduled for completion in July 1985, and construction began in April on a 295-suite Park Suite Hotel located next to the Sheraton Music City. In addition, Melody Country, a country music theme park proposed for the I-65, Briley Parkway and Dickerson Pike Road area, was recently announced. As proposed, this development will ultimately contain a theme park and a five-phase hotel development that would add 1,600 rooms to the market. Presently, plans are very tentative, and the development timetable is uncertain.

Office construction has remained strong throughout Nashville. Over six million square feet of Class A space has been recently completed, is under construction or is proposed. Of particular interest is the downtown market, which had been relatively dormant in recent years. The central business district currently is experiencing significant growth as evidenced by the surge in office development. One Nashville Place, a 23-story 460,000-square-foot, $50 million office tower, is nearing completion. The Third National Financial Center, a 30-story 500,000-square-foot, $60 million office tower, is under construction. Citizen's Plaza, a 250,000-square-foot tower that will house state offices and serve as the headquarters for Citizen's Bank, is substantially complete. These projects, which will be completed in late 1985 or early 1986, represent more than 1.2 million square feet of new space concentrated in downtown Nashville. In addition, there are over 2.3 million square feet of office space planned for areas outside the central business district.

The strength of the overall market is further exemplified by Northern Telecom's decision to locate its United States headquarters in Metro Center, an 850-acre mixed-use development currently under construction approximately three miles north of downtown. The headquarters will include 380,000 square feet of space in a $70 million development. The complex is scheduled for completion in July 1985.

In summary, the recent boom in construction, the city's commitment to building the convention center, the continued popularity of the Sunbelt region and Nashville's diverse economic base combined with its attraction as a destination resort all suggest an excellent opportunity for future growth in the Nashville area lodging market.

R. Mark Woodworth
Lisa S. McCoy
Atlanta

From New Orleans

In contrast to occupancy trends in many metropolitan markets, the average occupancy in New Orleans climbed to 65.5 percent in 1984, almost 4 points higher than the 1983 level of 61.7 percent. This was primarily attributable to the impact of the Louisiana World Exposition, even though this event was not as successful as predicted. The citywide average room rate was $71.15, a dramatic 12.3 percent increase from the 1983 rate of $63.37. The highest room rates in the city have historically been achieved in the French Quarter, which achieved a $83.61 rate in 1984. However, the Superdome/central business district area achieved an average daily rate of $84.11 in 1984, attributable to the opening of several luxury hotels in that area and the impact of the Louisiana World Exposition.

Convention demand constitutes a major portion of the visitor market in New Orleans. Convention activity was accommodated primarily in Rivergate Convention Center and area hotels in 1984, although some of the convention activity did take place in the Superdome. In January 1985, a new convention center will open with 820,000 square feet of convention space including a 350,000-

square-foot convention hall. This convention center previously served as the Louisiana State Pavillion for the Louisiana World Exposition. The delegate count for the city of New Orleans in 1985 is projected at 725,000, a 25.8 percent increase over the 1984 total.

Tourism constitutes the majority of the remaining lodging demand, with the French Quarter serving as the focal point for tourist activity. Additional attractions in the city include the Superdome and riverboat tours. The following attractions will provide additional points of interest for visitors to New Orleans.

- The Jax Brewery opened in the fall of 1984 with 65,000 square feet of specialty retail space. Currently, the project is 98 percent leased. Expansion plans for the project, comprised of three phases, have already been proposed. The first phase is scheduled to begin construction in the fall of 1986 with the addition of 72,000 square feet of retail space. The final phase of the development is tentatively slated for a 1987 opening.
- The Rouse Company of Columbia, Maryland also recently announced plans to develop a $25 million specialty shopping center to be located on the second level of the World's Fair International Pavillion. The development will include 180,000 square feet of specialty retail space and is expected to be one of the major residual developments of the Louisiana World Exposition. Rouse Company has developed similar projects, such as Harbor Place in Baltimore and Faneuil Hall in Boston.

Commercial development continues to exhibit strength in New Orleans. Downtown office space inventory contains approximately 15 million net rentable square feet of office space of which 77 percent is occupied. Most of the recent office development activity in the city is occurring along Poydras Street.

Downtown New Orleans hotel development has been extensive as a result of the new convention center, the Louisiana World Exposition and office development activity. The following are among the hotel projects under construction or recently opened.

- The 497-room Hotel Inter-Continental, located on Saint Charles Avenue, held its grand opening in January 1985.
- Windsor Court, a 329-room all-suite property, opened in 1984 on Gravier Street.
- The 134-room Maison St. Charles Quality Inn opened in the Garden District.
- The Sugarhouse, a 228-room all-suite property operated by Brock Hotels, opened in May 1984 in the Warehouse District.
- The Royal Lafayette, formerly a Ramada Inn, underwent a complete renovation and opened in June 1984 as an upscale property located in the French Quarter.
- The 439-room Hotel Iberville at Canal Place, a Trusthouse Forte property, opened in 1984 as part of the Canal Place mixed-use development on Canal Street.
- The 508-room Meridien Hotel opened in October 1984 on Canal Street.
- The 759-room Clarion Hotel, also located on Canal Street, was completely renovated and opened in early 1985.

In Metairie, the Woodmont Companies is currently developing a major mixed-use project known as the Galleria. Proposed for the project are five office towers with two million square feet of space, a one million-square-foot fashion mall and a hotel. Currently, the first office tower and a portion of the mall are under construction and scheduled to open in 1986. Although construction has not yet begun on the hotel, representatives of the Woodmont Companies report it is scheduled to open in conjunction with the first office tower.

These extensive additions to supply are expected to create lower overall market occupancies in 1985. However, the opening of the new convention center, continued marketing of the city as a major tourist destination and the expansion of the city's commercial center should increase future levels of lodging demand in the city.

Joanne Scoville
Houston

From New York City

New York City (specifically Manhattan) experienced its second consecutive year of growing occupancy levels during 1984, to 75.8 percent. This occupancy was an increase of 2.8 percent over the 1983 occupancy rate of 73.7 percent and a 9.1 percent increase over the 1982 occupancy rate of 69.5 percent, which occurred during the recent recession. New York City experienced this strong occupancy trend despite the strength of the dollar, which created an incentive for United States residents to travel abroad and a disincentive for foreign residents to travel to the U.S. The strong dollar would be expected to negatively affect New York City as it is a gateway city to the U.S. and typically attracts the majority of foreign visitors to this country. However, occupancy in New York City rose as a result of a better-than-expected U.S. economy, which created a strong demand from the commercial, convention and conference lodging markets.

The occupancy increase is even more impressive when viewed in light of changes in supply. While there was only a net average increase of 60 guestrooms per day (see chart), Manhattan's lodging supply added several significant hotels:

- The 196-room Plaza Athenee, a renovation of the old Alrae Hotel managed by Trusthouse Forte, opened in September 1984 on 64th Street between Park and Madison Avenues. This property is oriented towards the luxury European market, similar to its namesake in Paris. The New York property will use the name recognition associated with the Paris property in its marketing efforts.
- The 480-room Novotel, located on Broadway at 51st Street, opened in October 1984. The property is affiliated with the French Sofitel chain and will cater to the mid- to upper-level commercial and leisure traveler. The Novotel is the first new hotel to open on the West Side since the Parker Meridien in 1981, indicating a trend towards more hotel development in that area of Manhattan.
- Morgan's Hotel, a renovation of the old Executive Hotel, with 154 rooms, opened in November 1984 on Madison Avenue at 37th Street. This hotel, operated by Steve Rubell of Studio 54 fame, caters to the entertainment community as well as to corporate travelers seeking lodging below 42nd Street on the East Side.
- The River House, a 45-room hotel located on Christopher Street at West Street in Greenwich Village, is another new addition to Manhattan's hotel inventory. Since the property is not located in a commercial district, its business-oriented

demand is limited. This property caters to leisure travelers as well as to the gay community.

The only major hotel to close during 1984 was the 1,300-room Taft Hotel on Seventh Avenue at 51st Street. This hotel catered primarily to the rate-sensitive business traveler and tour groups. This property is being renovated and will reopen as a smaller hotel, residential condominiums and retail space. The closing of the Taft did not significantly impact the lodging industry as its occupancy was very weak (30 to 40 percent), and it was generally not considered a competitive force in the market.

There is one hotel under construction in Manhattan at the present time: the 2,017-room (1,876-unit) Marriott Marquis located on Broadway at 46th Street. This property, which will be the first major convention hotel to open in Manhattan since 1963, will open in August 1985. The 48-story atrium property will contain four restaurants (including a revolving restaurant on the 47th floor), four lounges with a total of 872 seats (including a revolving lounge in the lobby), a 30,000-square-foot grand ballroom, 21,000 square feet of meeting and conference space, a 1,500-seat Broadway theater and a 1,250-square-foot health club. This property should have a major impact on the lodging industry in Manhattan. First, it will create a new location for future hotel development: the Times Square area. There is already a 500-room hotel planned for the Times Square redevelopment block on 42nd Street between Seventh and Eighth Avenues. Second, the Marriott will offer significant competition to the other convention-oriented hotels in the market. The New York Hilton has responded by renovating its entire lobby, the entrance, the lobby lounge area, the grand ballroom, and by incorporating an "executive towers" section on the hotel's upper floors. The Sheraton Centre also has plans to upgrade its hotel.

Other proposed projects include the development of an Embassy Suites Hotel (Holiday Corporation) at the Pan Am heliport at 61st Street and the East River and a hotel as part of the mixed-use development at the site of the New York Coliseum on Columbus Circle. Several hotels are planned for lower Manhattan, including a hotel near the South Street Seaport and several hotels rumored for development in the area surrounding the Jacob K. Javits Convention Center, under construction between Eleventh and Twelfth Avenues from 34th to 39th Streets, including a floating hotel and a hotel as part of the Hudson River Center complex directly opposite the Convention Center across West Street. In addition, there is a 350-room hotel proposed for downtown Brooklyn, a Hilton Hotel planned for La Guardia Airport and a Holiday Inn planned for John F. Kennedy International Airport. Furthermore, there are numerous hotel renovations and restorations planned for Manhattan hotels.

The new convention center is scheduled to open in April of 1986 and should have a major impact on New York City's lodging industry. While many events are simply relocating from the New York Coliseum, which will close subsequent to the convention center's opening, these events will be using substantially more space in the convention center. This growth will result in more exhibits, more attendees and will have a generally positive impact on the lodging industry. In addition, the convention center has been successful in bringing new events to New York City. Due to the strong booking pace and the unavailability of space at the convention center during peak periods, the Convention Center Operating Corporation is reviewing the feasibility of expanding the center beyond its current 720,000 square feet of exhibit space.

The strong demand and inclining occupancy rate in New York City allowed the hotels to maintain high average room rates. Citywide, the average rate per occupied room was $97.93 during 1984, an 11.3 percent increase over the 1983 average rate of $87.84. The luxury hotels achieved the highest average room rate of $148.33, an increase of 11.2 percent over the 1983 figure. The convention hotels enjoyed the largest increase in average rates from 1983 to 1984, 14.8 percent, for an average rate of $91.52.

The slowing of the economy, however, has already affected the lodging industry during the first quarter of 1985. Occupancy through March was 66.8 percent, a 2.2 percent decrease from the 1984 figure of 68.3 percent. However, the average rate per occupied room remained strong at $102.78, a 10.2 percent increase over the same period last year. The balance of 1985 is expected to continue to show downward occupancy trends relative to 1984 and a softening of the average room rate. Year-end occupancy is projected to be in the 72 to 74 percent range, and the average room rate is expected to moderate, with increases being in the 7 to 9 percent range.

As of this writing, the Hotel Trades Counsel, representing the nine unions serving the lodging industry, has called a strike against the 45 largest New York City hotels. Depending on the length of the strike, the lodging industry could be materially affected. Already, hotels have responded by limiting or closing food and beverage operations, which are the most labor intensive, and by hiring new employees from the expanded summer labor market. While no major conventions have been cancelled, many catering functions have been called off due to the difficulty in locating waiters and kitchen personnel.

Arthur Adler
New York

New York City

Year	Number of Rooms in Major Hotels	Citywide Occupancy	Average Occupied Rooms Per Day	Percent Change in Occupied Rooms
1984	44,429	75.8%	33,677	3.0
1983	44,369	73.7%	32,700	2.0
1982	46,115	69.5%	32,050	(10.8)
1981	49,240	73.0%	35,945	—

From Norfolk/Virginia Beach

The Norfolk, Virginia Beach and Newport News metropolitan area experienced notable interest in and development of hotel properties in 1984. Military and related businesses and tourism continued as the key factors of the area's economic growth; however, significant commercial growth is also occurring. Many new commercial and industrial concerns are locating to the area due to the increase in shipping activity and ease of distribution through Hampton Roads port terminals.

The city of Virginia Beach had the area's greatest number of new hotel rooms open in 1984 with three new hotels and one hotel addition accounting for 569 new rooms. Approximately 1,752 rooms are expected to be developed over the next three years.

In the cities of Norfolk, Chesapeake and Portsmouth, approximately 90 new hotel rooms opened and several projects were under development in 1984. Approximately 580 rooms are expected to be developed over the next three years including Chesapeake's first major hotel project, which will be located in the city's Greenbrier area.

Hotel development and interest in Hampton/Newport News continued to occur along Mercury Boulevard near the Hampton Coliseum and in the downtown areas of both cities. Two new hotels, totaling 189 rooms, opened in 1984 and approximately 597 rooms were under construction or proposed.

Significant developments related to hotel demand include:

- The continued success of Norfolk's Waterside retail and foodservice complex enhancing the city's downtown waterfront area.
- The proposed Cousteau Ocean Center in downtown Norfolk is in final negotiations and will attract an estimated 500,000 tourists per year after its expected opening in 1987.
- Downtown redevelopment in Hampton, Newport News and Portsmouth are expected to attract new commercial activity to these areas.
- Continued growth of commercial development in Norfolk's Military Circle/Executive Center, Chesapeake's Greenbrier and northern Hampton/Newport News.
- The expected return of U.S. Air to the Newport News Patrick Henry International Airport in 1985 and the continued growth of Norfolk International Airport.
- Increases in conventions and meetings at Norfolk's Scope Convention Center, Virginia Beach's Pavillion Convention Center and Hampton's Coliseum.

Joseph Trimble
Theodore Seale
Washington, D.C.

Norfolk/Virginia Beach Properties

Area	Property	Rooms	Year
Virginia Beach	Holiday Inn—Executive Center (addition)	89	1984
	Holiday Inn—Oceanside	138	1984
	Quality Inn—Expressway	150	1984
	La Quinta Motor Inn	192	1984
	Best Western—Northhampton (renovation)		1984
	Ramada—Oceanside (Tower Addition)	48	1985
	Howard Johnson's Hotel	177	1985
	Virginia Beach Plaza Hotel	150	1985
	Virginia Beach Resort & Conference Hotel	295	1986
	Ramada Inn—Oceanfront (addition)	95	1986
	CBN University Hotel	200	1987
	Marriott Courtyard	148	1986
Total: Virginia Beach		1,682	
Norfolk	Lagniappe Inn	50	1984
	Hilton Inn—Norfolk Airport	250	1985
Total: Norfolk		300	
Newport News	Hotel Warwick	85	1984
	Lagniappe Oyster Point	50	1985
	Mulberry Inn	120	1985
Total: Newport News		255	
Portsmouth	Imperial 400 (addition)	40	1984
	Holiday Inn Portsmouth (addition)	69	1985
	Econo Lodge Portsmouth	63	1985
Total: Portsmouth		172	
Hampton	Red Roof Inn	104	1984
	Holiday Inn—Hampton (addition)	75	1985
	La Quinta Motor Inn	130	1985
	Comfort Inn—Coliseum	52	1985
	Climat de France Motel	114	1986
	Old Towne Hotel	176	1987
Total: Hampton		651	
Chesapeake	Greenbrier Area Hotel	150	1987
	Econo Lodge	65	1985
Total: Chesapeake		215	

From Northern New Jersey

The recent growth in northern New Jersey was augmented by the escalating real estate costs in New York City. As major corporations began locating their headquarters in New Jersey, additional support facilities followed. Once considered a satellite community of New York City, northern New Jersey has emerged as a residential community that provides an excellent source of commercial, group and local demand for lodging facilities.

Occupancies in this commercially dominated market remain strong despite an increase in competition. Additionally, demand is expected to increase as the economy strengthens and more office space is gradually absorbed.

Previously, first-class lodging facilities had dominated northern New Jersey hotel development. As these markets have matured, further segmentation of existing lodging markets is expected. This is evidenced by the increase in the number of economy-oriented facilities scheduled for development.

Bergen County continues to exhibit substantial growth because land availability and zoning regulations have opened development opportunities for medium-density housing and office and industrial space. New office development in the Bergen County market area, including Hackensack, Mahwah, Montvale, Paramus and Woodcliff Lake, reflects the trend toward corporate-owned and single-tenanted buildings. The number of corporate headquarters has also been increasing as a result of expansions and relocations from within the county as well as from New York. Currently, Bergen County is experiencing between a 22 and 25 percent vacancy rate of its office space. Because the vacancy rate is high in relation to other markets, developers have decreased the rental cost per square foot considerably. As this trend continues, the surplus of office space should be absorbed more quickly.

Areawide occupancy for northwestern Bergen County continues to show improvement after the addition of 257 guest rooms in 1983 and 1984 from the expansion of the Hilton Inn—Woodcliff Lake and the opening of the Ramada Inn—Mahwah. Annual areawide occupancy for 1984 was 68 percent. The average rate per occupied room also showed improvement, which reflected the strong

performance of the newer first-class hotels. The average rate per occupied room in 1984 was $76.50.

Future additions to the lodging supply in this area include:

- A 289-room Marriott to be located in Park Ridge.
- A 60-room addition to the Ramada Inn—Montvale.

Proposed additions to the lodging supply include:

- A 100-room Luxury Budget Inn to be located on Route 17 and Airmount Road.
- A 250-room full-service hotel to be located on the site of the existing Garden Motel.
- A 300-room first-class hotel to be located on the site of the former Ford Motor Plant.
- A 250-room hotel to be located in the Mahwah Ridge—Corporate Drive office park.
- A 150-room Marriott Courtyard to be located in either the Mahwah or Paramus market area.

The Hackensack—Meadowlands district (HMD) has again shown its ability to absorb additional lodging facilities within its market area. The HMD, which is comprised of 14 municipalities from both Bergen and Hudson counties, achieved a 71 percent market occupancy in 1984, which represents a 0.4 percent increase over the 1983 marketwide occupancy of 70.7 percent. The average rate per occupied room for the properties in the market area increased approximately 7 percent from 1983 to 1984.

Specific areas of commercial growth in the HMD include the Harmon Meadow Corporate Park, the Harmon Cove Industrial Park and the Meadowlands Corporate Center. These three developments combine to generate over 50 percent of the lodging demand in the HMD. The largest employer in Bergen County is the Meadowlands Sports Complex, which attracts visitors throughout the year for a variety of sports and entertainment events.

The growth in commercial office space and industrial space, along with excellent access to New York City, has resulted in several proposed hotels since 1985. Two of these proposed hotels are now under construction. A 261-room Embassy Suites is under construction in Secaucus, while a 428-room Sheraton is under construction in East Rutherford. A 279-room Holiday Inn, located in Secaucus, is scheduled to begin construction by August of 1985.

Many other lodging facilities have been proposed for the HMD. Some major projects are:

- A 550-room hotel to be located in the Berry's Creek Center (no national affiliation to date).
- A 308-room hotel to be located on Patterson Plank Road in East Rutherford (no national affiliation to date).
- A 300-room Ramada to be located in Harmon Cove adjacent to the future 261-room Embassy Suites.
- A 240-room hotel to be located on the Meadowlands Parkway in Secaucus (no national affiliation to date).

Market-area occupancy is expected to increase throughout 1985. It is hoped that new office space and industrial development in the HMD will generate hotel demand to offset the addition of 968 rooms by 1988.

Middlesex County contains some of the most extensive commercial office space and industrial development in northern New Jersey. Raritan Center and Metro Park are the two largest areas for this commercial and industrial growth. In 1984, the inventory of existing office space in Raritan Center and Metro Park was approximately 2.4 million square feet and 1.1 million square feet, respectively. As this growth in development has occurred, the demand for first-class lodging facilities has increased accordingly.

New Brunswick, Edison and the I-287 corridor possess the majority of first-class lodging facilities in Middlesex County. Occupancy in this market area increased 2.5 percent, from 67.9 percent in 1983 to 70.4 percent in 1984. The Middlesex County lodging market contains a variety of facilities ranging from roadside budget motels to first-class hotels.

Currently, a 280-room Holiday Inn is under construction in Raritan Center and is scheduled to open in 1986. Several proposed projects in the Middlesex market include a 300-room Sheraton Hotel in Woodbridge, a 100-room Luxury Budget Inn in East Brunswick and a 125-room Quality Inn in Edison. In 1984, the 169-room Ramada Inn—East Brunswick was razed, and a 360-unit Radisson Hotel has been proposed to replace it by 1987.

As Raritan Center develops, and as the absorption level of commercial office space and industrial space in Metro Park and the I-287 area approaches capacity, the demand for first-class lodging facilities in the Middlesex County market area will remain strong.

The Morris County area continues to experience growth in commercial office development. This has resulted in an increase of areawide occupancies, from 70.7 percent in 1983 to 73.2 percent in 1984. The office market in Morris County is expanding from the initial concentration in the ParsippanyTroy Hills (ParTroy) area to the western portion of the county, specifically, the Mount Olive area. The Rockefeller Center Development Corporation has begun the development of the International Trade Center in Mount Olive. This project is to include the New Jersey Foreign Trade Zone, which already has attracted companies such as BMW of North America and the Hattori Corporation of America. A firstclass hotel facility is planned as part of this development.

Development in the ParTroy area remains strong. Office space is anticipated to grow approximately 12 to 18 percent from the existing level of approximately 7.5 million square feet.

Along with this strong growth in commercial office space, approximately 1,541 hotel rooms are planned as additions to the existing supply. Current and upcoming projects include:

- A 353-room Marriott Hotel on Route 10 in Hanover. This project is currently under construction.
- A 100-room all-suite hotel to be located on Route 46 at Cherry Hill Road.
- A 250-room Embassy Suites hotel to be located on Route 46 and Parsippany Boulevard. This will be part of the 1.25-million-square-foot Bellemead Office Park.
- A 300-room Sheraton Hotel to be located at I-287 and Route 80.
- A 325-room Lincoln Hotel to be located at Route 80 and Interpace Parkway. This will be part of the Headquarters Park office development.
- A 123-room Bargaintel Motor Hotel to be located at the junction of Routes 80 and 46.
- A 126-room SheratonTara Hotel to be located on Route 80 in Mount Arlington.

Essex County, adjacent to Morris County, is composed of two distinct market areas, West Essex and the Newark Airport area.

The West Essex area has experienced recent growth spurred by the development of the 280 Corporate Center office development and the exodus of many law firms and accounting companies from downtown Newark. Key areas of future development include Eisenhower Parkway, South Orange Avenue and John F. Kennedy Parkway near Route 24.

Because of the recent surge in office development, several hotel projects are planned. A 300-room Hilton Hotel is currently under construction in Short Hills directly across from the Short Hills Mall. Marriott is planning to build a 148-room Marriott Courtyard in Livingston adjacent to the Howco Savings Bank Headquarters, and a 250-room first-class facility is proposed for development on Eisenhower Parkway.

Newark International Airport is challenging La Guardia Airport as the second most active airport in the New York/New Jersey area. Annual passenger traffic is increasing approximately 15 percent annually. The third terminal is scheduled to open in 1987 and will accommodate People Express Airline and international arrivals and departures.

The lodging market has benefited from the increased activity at the airport. Corporations located in New York and New Jersey are utilizing the lodging facilities near the airport to conduct meetings, training seminars, and conferences attended by travelers in the metropolitan area, as well as by travelers arriving by air transport. Since 1983, occupancy has increased by 8.6 percent, to 76.7 percent in 1984.

The 414-room Marriott Hotel located on the airport property opened at Christmas 1984 and is the most recent addition to the area lodging supply. Proposed for this area is a 300- to 350-room Vista Hotel.

Helaine Aronson
Brian M. Finneran
James Kress
New York

From Orlando

The greater Orlando market area continues to be the fastest growing, most dynamic market area in the state of Florida. During 1984 and the first three months of 1985, over 9,400 new hotel rooms were added to the 1983 base of approximately 40,000 available rooms. Total hotel rooms supply has grown by almost 46 percent from the period January 1983 through March 1985. An additional 10,000 to 11,000 rooms are either currently under construction or planned to open by 1987. The tremendous growth is in response to increased tourist, convention and commercial activity spawned by such developments as Walt Disney World's EPCOT Center, the Orange County Convention/Civic Center and major commercial/corporate development in the greater Orlando area.

The logical question is: How has hotel room night demand reacted to this substantial growth in hotel room supply? The greater Orlando area's 1984 occupancy level was approximately 69 percent, which represented an 11 percent decrease compared with 1983. However, during the same period, occupied room night demand increased approximately 6 percent. The average room rate in 1984 was $47.85, a 7 percent increase compared with 1983. Year-to-date occupancy for the first quarter of 1985 was 72 percent compared with 76 percent in 1984, a 5 percent decrease. Again, this is primarily due to the massive increase in the supply of rooms (approximately 3,500 during the first quarter of 1985). The average room rate through March 1985 was $53.60, representing a 2 percent decrease compared with 1984. The 1985 year-to-date decrease in average room rates is a result of a combination of economy and moderate supply additions in the area coupled with some minor pricing discounts.

New hotel development is expected to outpace growth in room night demand over the next two to three years, and is concentrated in the following areas:

- Altamonte Springs/Lee Road. Recent hotel developments include the 400-room Sheraton-Maitland Center (February 1985), a 325-room Hilton near the Altamonte Springs Mall (fall 1985), a 206-unit Park Suite Hotel (open in 1985) and a 128-unit Residence Inn (early 1985).
- Orlando central business district. A 350-room Radisson Hotel will open in June 1985 and the 267-room Omni-Centroplex is projected to open by January 1986.
- Florida Center/International Drive. Plans for Plaza International, the development surrounding the convention center, include 5,000 to 8,000 hotel rooms to be built by 1990. Approximately 3,500 rooms are either currently under construction or planned to open in this market sector during the next 18 months. New hotels in this sector include the 895-room Hotel Plaza International (mid-1986), the 300-room Radisson—Justus Aquatic Hotel (January 1985), the 780-room Wyndham Hotel at Sea World (January 1985) and the 245-room Park Suite Hotel (September 1985).
- Lake Buena Vista area. Over 4,000 new rooms are expected to open by 1987, including the 1,503-room Marriott World Center, the 1,528-room Sheraton Convention Hotel, a 760-room Crowne Plaza and several additions to Walt Disney World lodging properties. The new Marriott and Sheraton combined will offer more than 250,000 square feet of meeting/exhibit space within the two largest hotels in the state of Florida.
- U.S. Highway 192/Kissimmee area. Over 3,400 rooms have been recently opened or are currently under construction in this tourist-oriented market sector. In addition to over 650 rooms included in projects with less than 100 rooms each, some of the recent major additions include the 578-room Radisson Hotel (August 1984), the 443-room Wilson World Hotel (September 1984) and the 214-room TraveLodge East, which is currently adding an additional 233 rooms (September 1985).
- Airport/South Orange Blossom Trail area. In addition to the 500-room Lee Vista Marriott and the 291-room Holiday Inn—Lee Vista, which both opened early 1984, several other additions are planned or under construction in this tourist/commercial market sector. A 500-room Crowne Plaza is under construction as part of the 1.4 million-square-foot Florida Mall project (mid-1986), and a 294-suite Park Suite Hotel is planned (mid-1986).

Overall, the Orlando lodging industry appears to be headed for two to three years of declining/softer occupancy levels due to the substantial increase in available hotel rooms. For the years 1985 through 1987, market area occupancies are expected to range from the high 50s to the mid 60s. Nevertheless, demand for this additional supply of hotel rooms is expected to continue increasing at a

strong pace with absorption of new supply expected by 1988 to 1989. The question of overbuilding in the Orlando lodging industry is one that must be answered as to project type, specific market sector and specific site location. Many markets are considered healthy even though area-wide occupancy is less than 70 percent.

R. Gary Renfrow
Chuck Ross
Tampa

From Philadelphia

The lodging supply in center city Philadelphia registered another lackluster performance in 1984, with an overall occupancy of 59 percent versus 61 percent in 1983. Overall average room rate registered $65.52, a 19.2 percent increase over the 1983 average rate of $54.96. Center city is still attempting to fully absorb the new rooms added in 1983, which helped increase the room rate in 1984, but no major market stimuli are in sight until the proposed new convention center and related convention hotel become reality in 1990 or at the end of the decade. The recently imposed bed tax should begin to have a noticeable impact on the level of convention and group meeting demand, but this alone, along with modest demand growth rates, will not bring relief overnight.

The airport market experienced a strong 1984. The entry of a new 175-room Days Inn and 254-room Embassy Suites Hotel in early 1985 should bolster the overall strength of this area as a major force in the city's lodging supply.

Along U.S. Route 202, the King of Prussia/Valley Forge area, which encompasses the Philadelphia area's primary zone for high-technology development, continues to be the focal point for new hotel development. While 1984 proved to be another strong year for the area's major properties, a great deal of activity in 1985 and subsequent years should further underscore the relative importance of this suburban market. The early 1985 opening of the Altemose Companies' 80,000-square-foot Valley Forge Convention Center, adjoining its already successful Sheraton Valley Forge Hotel, should have a substantial impact on rooms demand generated by conventions, trade shows and group meetings. The Sheraton plans to add 345 rooms to enhance its capability to house such demand, while the Valley Forge Hilton recently added some 110 rooms for the same reason. A 240-suite Embassy Suites Hotel recently opened in nearby Chesterbrook, and Marriott, Hilton, Brock, Quality Inns and other companies are all actively pursuing sites in the market. The nearby markets of Plymouth Meeting, Fort Washington and Lower Bucks County are all recent subjects of varied lodging developments.

The Cherry Hill/Mt. Laurel markets in New Jersey continued to experience low overall levels of occupancy in 1984. But renovations and improvements to several properties have been completed or begun in the hope that the recent opening of the spectacular new Garden State Race Track will increase demand for guest rooms and food and beverage facilities throughout the area.

In summary, a great majority of the interest being shown in development is occurring in the Pennsylvania suburbs of Philadelphia. Center city is doing its best to take advantage of its new quality image to increase disappointing levels of occupancy.

Peter R. Tyson
Philadelphia

From Phoenix

The lodging industry in the Phoenix metropolitan area benefited from the economy recovery of 1983 and 1984. Occupancy levels in most sectors were up substantially in 1984 versus prior years.

The commercial hotel segment has experienced particularly strong growth in rooms demand due to the improved economy, with properties along the Black Canyon (Interstate 17) Corridor and Superstition Freeway (S.R. 360) showing the greatest improvement. As a result, both areas are experiencing a great deal of activity with respect to proposed hotel development.

Although the performance of first-class commercial hotels in the Central Corridor (central business district) is below levels achieved in other parts of the city, interest in the development of hotel in this area continues. Three small commercial properties underwent extensive renovation and reopened in the past year. In addition to this activity, a number of larger commercial properties are proposed. The factor driving this growth is the rapid development of commercial office space in the Central Corridor during the economic upturn.

The resort market, one of the traditional mainstays of the area's lodging industry, continues its strong performance. Occupancy levels at the four- and five-star resorts averaged 78 percent in 1984, up from 73 percent in the previous year. With new development and the expansion and upgrading of existing resorts, the Phoenix/Scottsdale market continues to be the premier resort destination in the country.

During the past year, the Boulders, a new addition to RockResorts, opened in Carefree, approximately 20 miles north of Scottsdale. This property sets a new standard for luxury and exclusivity among desert resorts. Loew's Paradise Valley Resort also opened in 1984, an upscale facility oriented toward the group-meeting guest in Scottsdale.

Numerous other resort properties are planned for the Phoenix/Scottsdale market during the next several years. A number of these are likely to be developed and would serve the further enhance the area's resort image.

The additions to the lodging supply in both the commercial and resort market segments appear to be well positioned and, in conjunction with continued economic growth in the area, will enhance the appeal of Phoenix as one of the leading lodging growth areas of the 1980s.

Brian Wilson
Jeanne Lehan
Phoenix

From Raleigh

Due to continued expansion of industry in the area, the Raleigh lodging industry experienced an increase in occupancy from 57 percent in 1983 to over 60 percent in 1984.

The aggregate average room rate also increased slightly over 1983 levels, approximately 4 percent. Traditionally characterized as a rate-sensitive market, Raleigh was able to achieve occupancy and room rate increases because of the ongoing opening of new business in the city and the expansion of existing firms. The first-class properties in Raleigh experienced considerably higher levels of occupancy and average room rate growth than the market as a whole, thus suggesting a clear preference for these types of facilities.

Previously characterized by small, limited-service facilities catering to commercial, state and local government-related travelers, the city now offers several first-class properties with extensive food, beverage and meeting facilities. In general, these facilities are located in north Raleigh and Crabtree Valley, areas which provide convenient access to the Research Triangle Park and the airport via Interstate 40 and the Raleigh Beltline. These areas have effectively supplanted the downtown lodging market due to a shifting of demand caused by two key factors: (1) the slow deterioration of facilities and services offered in the downtown market combined with the availability of more modern hotels in suburban areas and (2) the rapid development of the Research Triangle Park and the resulting growth in demand for upscale lodging, food and beverage facilities.

The overall strength of the Raleigh lodging market, particularly as it relates to the suburban areas, is best evidenced by the success of the 310-room Raleigh Marriott Hotel, which anchors the Crabtree Valley area, and the 276-room North Raleigh Hilton, which anchors the North Raleigh area. These hotels, which are clearly the market leaders in both occupancy and rate, have elicited additional interest in new hotel development. Currently, the North Raleigh Hilton is adding 69 rooms and over 2,000 square feet of meeting space to its existing facility. Furthermore, recent announcements of new hotel developments include a 300-room Sheraton proposed for Imperial Center, proximate to the Research Triangle Park, and a 100-suite Meredith Guest House located west of the Park.

The Research Triangle Park, the area's major generator of lodging demand, is the world's largest planned research park. The 5,700-acre park is thriving; new arrivals and expansions in 1984 included DuPont, Glaxo, Sumitomo, Ciba-Geigy, IBM and Northern Telecom. In the past two years, the Park has added more than two million square feet of developed space, over 4,000 jobs and more than $100 million to its payroll. Overall, the Park has over nine million square feet of space, provides more than 24,000 jobs and has an annual payroll in excess of $600 million per year. The large number of major industries and many smaller organizations have combined to create a locational advantage to the area. As a result, many other concerns are moving to the Research Triangle Park region in order to benefit from the resources of the existing tenants.

Office construction and absorption rates have remained strong throughout greater Raleigh. An unprecedented amount of new space is coming on the market. Surveys indicate that in Raleigh alone, more than 1.3 million square feet of Class A space will be available by the end of 1985, roughly 10 times the total built just five years ago. In addition, it is rumored that approximately 1.7 million square feet of space will be developed in satellite office parks proximate to the Research Triangle Park. It is anticipated that this large inventory of quality space will be the foundation for future growth and provide an enhancement for corporate recruitment. Furthermore, the recent terminal expansion at the Raleigh-Durham Airport has contributed to increased airline activity. From 1983 to 1984, airport officials reported a 15 percent increase in enplanements, and further increases are expected over the next several years.

The growth associated with the Research Triangle Park and the recent and current expansion of the airport have resulted in additional interest in hotel development. Numerous lodging proposals have been announced for the area along the Interstate 40 corridor stretching from the Research Triangle Park to the Raleigh Beltline. Currently, six sites have been identified for potential hotel development, with the greatest concentration being located near the Raleigh-Durham Airport. Developers such as J.D. Sims & Company, Webb-Brown, Westminister Corporation, Monarch and CMD Southeast have development plans which include the eventual construction of a hotel.

In summary, Raleigh's diversified economy is based on an amalgamation of industry, education and government, which affords a high degree of economic stability. Raleigh is well positioned to develop its role as a major regional industrial and transportation center. It will continue to benefit substantially from the emergence of the Research Triangle Park as a nationally prominent research and development center. With the anticipation of continued growth, long-term prospects for future hotel development are extremely positive.

William J. Spears
Charlotte

Lisa S. McCoy
Atlanta

From Richmond

The Richmond area had substantial interest in the development of new hotels during 1984. Historically anchored by the manufacturing, tobacco and distribution industries, as well as state government activities, the Richmond area economy is currently experiencing substantial growth in the services and financial sectors, both in downtown and suburban areas.

Downtown, the new 400-room Marriott opened and three other projects totaling 961 rooms are scheduled for completion by 1987. Including 26,000 square feet of meeting and banquet space, the Marriott is located adjacent to the Richmond Coliseum, the site of the planned 60,000-square-foot exhibition center, and the Rouse Company's Sixth Street Market Place, scheduled to open in September 1985. Ground was also broken on a 310-room Ramada Renaissance Hotel which is planned for completion in 1986. Additionally, the historic Jefferson Hotel is currently undergoing a major renovation and will re-open as a 276-room Sheraton by 1986, and a 375-room Omni International Hotel is planned as part of the James Center, a mixed-use development which will include six office towers and residential and retail components. The size of these projects, combined with their substantial complements of meeting facilities, suggests that downtown Richmond will become a focal point of meeting activity in Virginia.

Richmond's West End and Henrico County have historically been the site of office park development which began with the construction of Interstate 64 during the late 1960s. At the end of 1984, approximately 5.4 million square feet of office space existed, and this base will continue to expand as over 500,000 square feet of office space is anticipated for completion during 1985. Several hotels are currently under construction, including a Comfort Inn, TraveLodge, Embassy

Suites, Residence Inn and Shoney's Inn. These projects include a total of 725 rooms expected for completion by early 1986. The development of these facilities is representative of the recent trend toward both upscale and budget-oriented development in suburban areas, which has followed a rapid expansion of the office space inventory.

Chesterfield County, located on Richmond's southside, was also the focus of substantial hotel development activity during 1984. During the 1970s, Chesterfield County was one of the fastest growing counties in the nation in terms of population. Rapid expansion of the retail base followed in the early 1980s, and in the last two years, over 5 million square feet of new office development has been announced. On a room base of zero, developers have completed one project, the 60-room Brandermill Inn and Conference Center, and proposed five additional properties totaling 886 rooms. The success of this emerging hotel market will depend largely upon both the timing of development and the attraction of volume room night generating tenants to the new commercial space. In the near-term, projects with lower rate structures will be better positioned for the anticipated highly competitive environment.

Kevin Kearney
Trudy Scott
Washington, D.C.

From Salt Lake City

In 1984, Salt Lake City experienced another year of growth and lengthened its strides towards becoming, as described by John Naisbitt in his best-selling *Megatrends*, one of the ten major U.S. "cities of great opportunity."

Already known for its culture and natural beauty by summer tourists and by winter ski enthusiasts as "paradise" for its seven major ski resorts, Salt Lake City is also striving to become a competitive convention city. This is manifested by the city's efforts to eliminate barriers which have historically limited its drawing power for conventions and meetings, in particular, lack of meeting and convention space, limited first-class lodging, unorganized marketing strategies and strict liquor laws.

Salt Lake City's first major commitment to securing convention and meeting business was the expansion of the Salt Palace main convention facility. The $17 million project, completed in late 1983, more than doubled the amount of available spiced, and made the 200,000-square-foot facility one of the larger and most modern in the country.

The task of adding first-class hotel rooms, which began with the construction of the 518-room Marriott in 1982 and the 540-room Sheraton in 1983, continued in 1984 with the addition of two properties, a Brock Resident Inn and a Quality Inn. There are presently 743 rooms under construction and 800 rooms in planning and design stages. Once these additional rooms are added to the inventory, there will be approximately 5,300 first-class rooms within walking distance of the Salt Palace.

Salt Lake City area lodging projects recently opened, under construction or being considered include:

- A 98-room Comfort Inn, located at 8900 South and I-15, which opened in September 1984.
- A 128-room Brock Residence Inn, located near Trolley Square at 700 East 400 South, which opened in August 1984. This is the first all-suite property in Salt Lake City.
- A 201-room Quality Inn, located in the International Center adjacent to Salt Lake City International Airport, which opened in December 1984. This project was the first of the modular motels constructed under a joint venture between Quality Inns and U.S. Home Manufactured Housing Corporation.
- The 100-room addition to the Hilton Hotel located at Salt Lake International Center in 1984.
- Nearing completion is the 500-room Holiday Inn located west of the Salt Palace. A walkway connecting the hotel to the newly expanded Salt Palace is also planned. The hotel is scheduled to open in late summer 1985.
- Ground was broken in March 1985 for a nine-story 243-suite Embassy Suites Hotel. Owner-operators of the project are West Temple Associates, a joint venture, limited partnership of Design Construction Inc., Scottsdale, Arizona, and Pearson Enterprises Management Co., Salt Lake City, owner-operator of the Salt Lake Hilton, Airport Hilton and Ogden Hilton hotels.
- A 200-room hotel and conference center developed by Roger Boyer and Pearson Enterprises has been proposed for Research Park near the University of Utah.
- In the design stages is a 600-room Hyatt Regency Hotel. The hotel is part of the $615 million Triad Center located in downtown Salt Lake City. Construction is scheduled to begin in July 1985 and the hotel is scheduled for completion by August 1987.

Faced with the "red tape" and cumbersome funding procedures usually associated with government-controlled agencies, the Salt Lake County Development and Promotion Board was dissolved in December 1984, and in January 1985 was reorganized into the privately run Salt Lake Convention and Visitors Bureau. It is the general opinion of community leaders and lodging operators that this reorganization will make it easier for the president and 48-member Board of Trustees to attract more and larger conventions to Salt Lake City.

Recently, the Utah State Legislature passed into law a bill which allows for cash sales of liquor at conventions and meetings. This change is being viewed by many as a sign that strict liquor laws will be loosened in the future, a change that should greatly enhance the city's chances to attract conventions which had previously bypassed the perceived "dry" Salt Lake City.

Leading Salt Lake City area hotels experienced a combined 1984 occupancy of about 69 percent and an average daily room rate of approximately $54. Several major hotels lowered rates in 1984 to offset the negative publicity resulting from the 1983 and 1984 spring floods, as well as a result of increased competition from the additional first-class properties.

During the next several years, as the market matures, the convention bureau becomes established and the additional rooms are absorbed, Salt Lake City will continue to move towards a national presence. This movement was indicated when Salt Lake City hosted the 1984 American Legion National Convention, the 1983-1984 National Figure Skating Championships and the 1984-1985 International Special Olympics.

George Warner
Las Vegas

From St. Louis

Occupancies in the St. Louis lodging market remained relatively steady over the past year. The area-wide annual occupancy level in 1984 was 61 percent, unchanged from 1983. The average room rate for the year showed improvement, rising 6.4 percent to approximately $50.22.

Hotel development started in late 1981 and 1982 has been completed or will open by the summer of 1985, and several additional lodging developments are in the preliminary stages. The continued growth of the St. Louis economy has further enhanced development efforts in the metropolitan area.

As reported in last year's "Comments," downtown St. Louis is experiencing the greatest amount of development activity in its history—not only of lodging properties, but also of commercial office and retail space and rehabilitation projects. Many developers are anxious to get their projects underway, fearing the effect pending tax laws will have on depreciation and historic rehabilitation tax credits.

The redevelopment of historic Union Station by Oppenheimer Properties and Rouse Companies is scheduled to open in September 1985. As reported previously, the project will include a 550-room Omni International Hotel and retail attractions in excess of 200,000 square feet.

HBE Corporation's 900-room Adam's Mark Hotel in downtown St. Louis across from the Arch is scheduled to open in March 1986. Construction of a 300-room Embassy Suites all-suite property in the Laclede's Landing redevelopment area began in late summer of 1984, and the grand opening is scheduled for August 1985. Still other luxury lodging projects are contemplated for the central business district. While this growth in supply should assist St. Louis in attracting larger conventions, it will also challenge hoteliers to sustain occupancy levels as room supply and competition increase substantially.

The airport lodging market continues to demonstrate its strength. The 540 rooms added to supply in 1983 and early 1984 have been absorbed into the market, and continued growth is anticipated due to the addition of two concourses to the airport. A lack of suitable hotel sites has restricted development near the airport.

Lodging development in midtown and Clayton will be active in 1985. In February 1985, H.B. Development Company will begin rehabilitation of the Forest Park Hotel into a 246-room luxury property. Capital Land Company in a joint venture with J.C. Nichols and May Company are developing the Plaza in Clayton. The project is anticipated to include a 300-room Raphael Hotel and 70,000 square feet of retail space.

A 128-room Brock Residence Inn opened in suburban west St. Louis County. Other developers are rumored to be looking in the area, but no construction has begun.

In addition to the above projects, national as well as independent lodging developers have shown strong interest in developing new projects in West County, with emphasis on the Interstate 270 and Manchester Road interchange, as well as on the U.S. Highway 40 corridor.

Two developments in the south St. Louis County area are scheduled to begin construction during 1985. A 100-room Super 8 and a 150-room Sheraton Inn, both located at the I-55 and Highway 67 interchange, are anticipated to break ground by summer 1985.

Breckenridge Hotels Corporation, in partnership with Robert Trent Jones, Jr., is planning to develop a full-service resort in southwest St. Louis County along Interstate 44. The project is anticipated to include a 250-room resort hotel and spa, two 18-hole championship golf courses, 1,100 condominiums and over 120 single-family homes. When developed, the hotel will be the first of its kind in the region.

As reported last year, a 140-room Sheraton opened in early 1985 in Wentzville, Missouri (St. Charles County). The Sheraton is part of the Seventy Corporate Plaza mixed-use development. While St. Charles County growth is likely to remain strong, additional rooms may not be absorbed as rapidly as they have been in the past.

Developers have shown strong interest in developing new projects east of the Mississippi River in southern Illinois as a result of easy access to the central business district by major thoroughfares and the area's continued economic recovery. A 238-room Hilton was completed the summer of 1984 in Collinsville, Illinois. Several other developments, mostly limited service, are being considered in the area.

The continued revitalization of the central business district, along with the suburban expansion of commercial development, will provide opportunities for lodging development where the market niche can be identified. However, overall demand for lodging facilities is projected to remain fairly constant in 1985, given the dramatic increases in supply for 1985 and 1986.

Jim Susi
St. Louis

From San Diego

San Diego's lodging market had an exceptionally strong first quarter in 1984. However, expectations that the 1984 Summer Olympic Games in Los Angeles would generate strong demand during the typically strong summer months were ill-founded. Summer market-wide occupancies were several points lower than normal, as fears of overcrowded hotels caused vacationers and groups to stay away during the Olympics. The year ended well with good autumn occupancies. A comparison of the operating levels of the various San Diego County market areas follows:

	Occupancy Percent		Average Daily Room Rate	
Market Area	1984	1983	1984	1983
Downtown	71.8%	67.7%	$60.03	$57.69
Bay Area	80.3	78.6	81.77	74.26
Mission Valley	78.5	78.3	50.45	47.90
La Jolla	77.5	74.4	72.85	67.51
North County	66.8	65.7	83.93	77.69
South Bay	65.8	63.3	31.06	29.56
Other	74.6	75.0	35.96	32.67
Total Market	76.3%	74.8%	$64.65	$59.97

San Diego continues its evolution from a moderately priced, limited-product hotel market to a city with a full complement of lodging facilities appealing to all market levels and segments. After nearly a decade when there had been relatively few additions to the rooms supply, several major areas have recently, or will soon, experience significant changes in their lodging markets.

The most dramatic changes in supply are in the downtown lodging market. In 1984, all three of Harbor Island's hotels were upgraded and/or repositioned in the market to high-level first-class and deluxe levels. The 681-room Inter-Continental Hotel opened along the waterfront. It is San Diego's first deluxe convention-oriented hotel and will be needed to support the 1987 opening of the city's new 350,000-square-foot convention center. In the downtown area in 1985, a new Best Western Hotel and the 283-room rehabilitated U.S. Grant Hotel will open, and the Executive Hotel will complete its upgrading renovation. A proposed 400-room Omni Hotel is scheduled to break ground before the end of 1985.

Many lodging projects are in preliminary stages of planning for the downtown area. The opening of Hahn's Horton Plaza retail center, expansion and new development of downtown attractions, and the new convention center point to the potential for successful absorption of several new lodging facilities over the next decade. Changes in other market areas in the county are also contributing to San Diego's lodging market evolution.

In North County, a new golf concept at the Olympic Golf Resort in Carlsbad helped this facility open successfully in 1984. Several economy-to-first-class hotels also opened successfully along the Interstate 5 corridor in 1984, and several more are under construction for 1985 openings. A number of major resort and commercial hotels are planned for the Interstate 5 and Pacific Ocean corridor from Carlsbad to San Diego. The resort market is undersupplied in San Diego County, and several new entrants could be expected to find market support. Commercial demand along that corridor is in early development stages. Timing and market orientation will be important considerations for development of commercially oriented hotels.

The La Jolla market, including the Golden Triangle, is an emerging commercial hotel market. Many projects are in early planning stages for opening later in the decade, as office and commercial space planned for the area is absorbed. Marriott's 360-room hotel in the University Towne Center area, opening in late 1985, will be the first new addition oriented to meet growing commercial demand in an historically tourist-oriented market area.

While both the Mission Bay and Mission Valley areas are strong lodging markets and while hotel developers are very interested in entering those markets, limited available land and high land costs have restricted new hotel development. However, a 265-room Raddison Hotel opened in Mission Valley in 1984, and a 230-room Budget Motels of America is expected to open in mid-1985. Two first-class projects, Mission Valley's First San Diego River Improvement Project and the long-discussed Ramada Renaissance on Mission Bay, are probable future market entrants.

The South Bay area, located just north of the Mexican border, has historically consisted of economy- to mid-priced motels and motor hotels that cater primarily to the tourist bound for Mexico. Future additions to supply are expected to aim for the same quality level, with two notable exceptions:

- Chula Vista has long-range plans for development of the San Diego bayfront, including the construction of a 450-room water-oriented resort.
- The city of Imperial Beach has obtained tentative approval to develop one of the last available parcels of ocean-front property. Plans are for a resort, limited retail space, a public park and boardwalk.

The ultimate strength of the San Diego economy lies in its diversity. Its three strong economic bases, light industrial, military and tourism, aid in maintaining more stable operating levels over time, which in turn provide greater ability to plan for the future more accurately. Interest in hotel development in San Diego County is very strong. Additions to hotel rooms supply in all market areas and at all market levels will allow the San Diego market to more fully meet the exceptional growth in commercial, group meeting and tourist lodging demand expected through the end of the decade.

Becky L. Burns
Michelle D. La Motte
San Diego

From San Francisco

In spite of large additions to the supply of hotel rooms in San Francisco and sagging tourism due to the strong U.S. dollar, the lodging market continued to maintain stabilized occupancy levels and strong average daily room rates during 1984. The opening of the 1,015-room Ramada Renaissance in late 1984 had virtually no negative effect on the area-wide occupancy. The year-end 1984 occupancy level of 73 percent was slightly higher than the 1983 level of 72 percent. Average daily room rates increased 4.3 percent from $92 in 1983 to $96 in 1984.

Earlier optimistic expectations regarding the effects of the Democratic convention were not realized for the majority of hotel operators. Pre- and post-event occupancies fell, negating any overall positive effects on occupancy. Long-term benefits are expected, however, as a result of the national media coverage of the event.

Within the San Francisco market area, the Fisherman's Wharf area had the highest year-end occupancy rate of 85 percent. In 1984, the Wharf area realized a greater penetration of the commercial market as a result of a room rate structure lower than the other areas of the city.

Several additions are planned for the San Francisco area. The proposed 162-room Mandarin Hotel will occupy the top 11 stories of a 47-story office building in the heart of the financial district, and the 1,500-room Marriott Yerba Buena Center will open in 1988 near the George M. Moscone Convention Center. Other additions to supply include Japan Air Line's 525-room Nikko Hotel and John Portman's Olympic Hotel in the Union Square area.

Significant additions to the supply of meeting space are also planned for San Francisco. The Marriott Yerba Buena center will include 60,000 square feet of meeting space, which, in addition to the planned 88,000-square-foot additions to the George M. Moscone Convention Center in 1988, and a 40,000-square-foot addition to the San Francisco Hilton, will

accommodate an unsatisfied need for convention facilities in the Bay Area.

The trend for renovating Class B hotels reported in 1983 was still very much alive in 1984. Additions to the market in 1984 include The Orchard Hotel, The York, The Kensington Park and The Galleria Park. This smaller, lower priced hotel concept has gained great acceptance from the commercial traveler and price-sensitive tourist market.

One of the most active market areas in Northern California is centered around the San Francisco International Airport located in San Mateo County. There are proposed additions of 7,328 rooms over the next three years and 1,852 rooms are presently under construction. Properties under construction include the 690-room Marriott in Millbrae, the 305-room Hotel Ibis in Anza Park and the 360-room Granada Royale in South San Francisco. The Hyatt Hotel is also being leveled to accommodate an 800-room Hyatt Regency on the same site.

The airport lodging facilities experienced an area-wide occupancy of 78 percent in 1984, with an average daily room rate of $64.

The San Mateo County area is experiencing a tremendous amount of commercial development. Some delay is anticipated in the absorption of this new commercial space, and it is believed that the San Mateo market will experience a loss in occupancy points over the next few years.

The Oakland area experienced a slight drop in occupancy from the 1983 level of 73 percent to 72 percent in 1984. The market has not yet recovered from the opening of the 488-room Hyatt Regency which opened in 1983, causing a 4 percent drop in area-wide occupancy.

There were no additions to the Oakland market in 1984, nor are there any new properties scheduled to open during the next two years. Two hotels are undergoing expansion: 137 rooms at the Marriott Berkeley Inn and 85 rooms at the Holiday Inn Airport. Both expansions are due to be completed by late 1985.

The "Silicon Valley" of Santa Clara County experienced significant demand increases in 1984. Area-wide occupancies at first-class hotels increased from 74 percent in 1983 to 79 percent in 1984. Average daily room rates increased 18 percent to a year-end 1984 level of $77.

Additions to the supply of rooms include a 260-room Embassy Suites to be located in Santa Clara, and a 200-room Ramada Hotel in the San Jose airport area. Other planned hotels include a 502-room Doubletree Hotel and convention center in Santa Clara to open early 1986, and a 300-room Doubletree Hotel in Cupertino scheduled for 1987.

The demand for rooms in Silicon Valley is primarily commercial related and concentrated during the weekday period. The additions to supply will not only absorb the current turnaway but will also open the area to the group market, a demand segment which historically could not be accommodated by the supply.

North of San Francisco in the Napa Valley Region, planned additions to the supply of lodging facilities include five properties totaling 450 rooms. Except for the 209-room Embassy Suites, the other properties are of a smaller, luxury type, ranging from 20 to 80 rooms with average rates of $125 to $175.

Future growth in the Napa Valley will be concentrated around the city of Napa. Due to a limited infrastructure in the wine growing regions north of the city of Napa, a moratorium has been placed on any future development in that area.

In general, lodging development in Northern California is excellent. Large amounts of commercial development throughout Northern California have resulted in a significant need for additional lodging facilities.

Jay Scott
San Francisco

From Savannah

Savannah's healthy economy has continued to benefit from the recent national economic recovery. Its strength is attributable to five major elements: the increased usage of the Savannah Port facility, an active tourist business, Savannah's position as the retail center for much of the Georgia and South Carolina coastal areas, a diversified industrial base, and the extensive military complex present at Fort Stewart and Hunter Army Air Base. These components have elicited a large portion of the local economy's growth over the years.

The Oglethorpe Mall area on Savannah's south side has emerged of late as a focal point for the area's lodging industry. Several economy-oriented and moderate-quality properties have opened in recent years, and several more are under construction or proposed, including a Marriott Courtyard and a Hampton Inn. Occupancies in this commercially dominated sector remain strong despite increasing competition.

Small inns continue to proliferate in the downtown historic district, where nearly 20 establishments ranging in size from one to 59 rooms have been developed in recent years. As additional inns continue to be developed, Savannah should evolve into a primary destination for travelers who patronize historic inns.

At the Interstate 95 Gateway interchange, an 80-room Super 8 Motel is under construction and a 175-room Ramada Inn has been proposed. Further north at the interchange of Interstate 95 and U.S. Route 80, a 148-room Quality Inn and a 101-room Comfort Inn are under construction. A new 122-room Best Western opened in mid-1984 in Garden City, an industrial suburb located north of downtown on Georgia Route 21.

Nearby Hilton Head Island in South Carolina continues to be an active real estate market, with several major hotels either under construction or proposed. The most important of these are the nearly completed 418-room Inter-Continental Hotel in Port Royal Plantation and the recently finished 160-room addition to the Hyatt on Hilton Head.

R. Mark Woodworth
Henry B. Staley
Atlanta

From Seattle

During 1984, the demand for lodging in the Seattle market area experienced substantial growth. Occupancy for the downtown market increased to approximately 59 percent, representing a 9.4 percent increase over 1983. This was due in part to a stable supply of first-class rooms and an expanding northwest economy. The average daily room rate for the downtown Seattle market increased nearly 2.5 percent over the rate achieved in 1983.

The rate of hotel development in downtown Seattle slowed considerably in 1984. One significant change occurred when Stouffer Hotels entered the market as management company and partial owner of the 576-room Madison Hotel,

which opened in the summer of 1983. Occupancy for the downtown market in 1985 is projected to be approximately 61 percent.

The only first-class hotel under construction in downtown Seattle is the Inn at the Market. This 65-room hotel, which will be located at the Pike Place Public Market, is expected to open in June 1985.

Currently, two major hotels are proposed for the downtown Seattle market. A 410-room Ramada Renaissance is proposed for a site near Eighth Avenue and Pine Street, and a 850-room hotel is planned to connect to the proposed Washington Convention and Trade Center. The convention center project is planned for a site downtown spanning U.S. Interstate 5. Construction is expected to begin in mid-1985, and the convention center is scheduled to open in mid-1988. This facility should significantly enhance Seattle's ability to attract additional convention and trade show business.

East of Seattle in the Bellevue area, the lodging market continued to exhibit strong growth. A 120-room Brock Residence Inn opened in 1984 along with a 65-room Best Western motel. As a headquarters location for high-technology firms and other major northwest corporations, this market area is expected to grow substantially over the next decade. Occupancy for the Bellevue area in 1984 was nearly 70 percent, compared to approximately 64 percent in 1983. The average daily room rate increased approximately 3 percent over the 1983 rate.

The Tacoma lodging market, which is 35 miles south of Seattle, has undergone major development since the opening of the 140,000-square-foot Tacoma Dome in March of 1983. In 1984, the 328-room Tacoma Sheraton Hotel opened as Tacoma's only first-class hotel and a major component in its downtown revitalization project. In addition, the 165-room Tacoma Dome Motel and the 161-room Tacoma Holiday Inn opened in 1984. The absorption of these new rooms in 1985 should cause the occupancy levels in this market area to decrease substantially.

The outlook for the lodging industry in Seattle is good. Along with the construction of the proposed Washington Convention and Trade Center, the Northwest's tourism is expected to increase as a result of promotional efforts by the state. The significant increase of international arrivals from both Europe and the Far East at Seattle Tacoma International Airport is establishing Seattle as a major gateway to the West. These and other factors should ensure steady growth in Seattle's lodging market through the 1980s.

Brian P. McGinnis
Andrew N. Olsen
Seattle

From South Florida

The lodging business was especially brisk in 1984 in South Florida. Strong growth in both commercial and individual tourist visitors sparked strong gains in occupancy with moderate increases in average room rate. Overall, 1984 is considered a recovery year with 1985 expected to post improving occupancies as well as rates.

For the region, including all of Dade, Broward, Palm Beach and Monroe counties, those lodging properties participating in the South Florida *Trends of Business in the Lodging Industry* reported a 61.8 percent occupancy at a $64.90 average room rate. This compares to a 59.5 percent level and $63.56 rate in 1983, a combined room sales increase of over 7.8 percent. Total revenues were also up substantially with a 7.5 percent gain over 1983 totals. The largest percentage changes in total revenues were reported by economy properties with rates below $40. However, properties with more than 300 rooms posted strong gains as well, and Fort Lauderdale facilities performed above all other sectors, relative to 1983, in total revenue increases.

While 1984 was considered a strong recovery year for the travel business, trends and predictions for 1985 show an even stronger performance. Year-to-date figures through April 1985 indicate a 62.4 percent occupancy compared to 58.9 last year for the same period. While rate gains are more modest, $68.88 year-to-date versus $67.61 last year, any increases in rate in light of strong occupancy growth is extremely encouraging.

While the overall market is performing well, certain sectors had their difficulties in 1984 and remain soft through 1985. Specifically, downtown Miami remains strong in visitor activity, posting over a 5 percentage point gain in occupancy year-to-date, however, the market rate has declined for the third year in a row. Substantial increases in the competitive field in both 1982 and 1983 are registering both positive and negative impacts on downtown performance.

With Key West, Fort Lauderdale and West Palm Beach the clear growth sectors for 1985, substantial proposed development continues to spring up around each county. Major clusters of development are occurring throughout each area, including all-suite and economy properties with either existing, renovated or new full-service facilities. The Cypress Creek Road area in northern Broward, the Fort Lauderdale Beach area, Palm Beach International Airport and the Key West area are all examples of this lodging development clustering. Total development either recently opened, under construction or in the final planning stage exceeds 11 properties, representing over 3,500 new guest rooms. Considering historic absorption in the region, these new facilities are expected to fair well in the 1988 through 1990 period.

Overall, South Florida hoteliers expect 1985 to be a strong business period. Most mature markets are stabilizing in their growth and exchanging outdated lodging products with newer, more competitive facilities, more segmented in their product offerings. The growth markets are showing substantial gains through the first four months of 1985 with a continued strong outlook for the remainder of the year.

M. Chase Burritt
Miami

From Tampa/St. Petersburg

The greater Tampa Bay lodging industry exhibited continued strength and stability in 1984. The annual occupancy rate for Tampa Bay area hotels was 63.7 percent compared with 61.2 percent in 1983, and the 1984 average room rate was $46.40 compared with $44.25 for 1983, a 4.8 percent increase.

The gains in occupancy and average room rate are especially significant since, despite weak performances in early 1984 due to record cold temperatures, they have surpassed 1983 performances. The effect of winter weather on the area's lodging industry was partially offset by Tampa's hosting of Super Bowl XVIII in January 1984 and the USFL Champion-

ship game in July 1984, as well as continued growth in commercial room night demand.

The hotels opening in the Tampa Bay area during 1984 amounted to over 1,100 new rooms. Hotel developers have several more projects under construction or planned throughout the area as a result of the historically strong tourist room night demand and the current and projected room night demand from the Bay area's rapidly growing commercial and industrial base.

In Pinellas County, the most active sector for new development is the mid-Pinellas County market area. Recent hotel projects include:

- A 178-room Holiday Inn, located near the Showboat Dinner Theater on Ulmerton Road, opened in May 1985.
- A 123-room Comfort Inn is located across Ulmerton Road from the Holiday Inn and is scheduled to open during the summer of 1985.
- A 125-room Days Inn would also be located on Ulmerton Road and is expected to be open by early 1986.
- A 118-room La Quinta Motor Inn is planned for the northwest quadrant of U.S. 19 South and Park Boulevard. Completion is scheduled for spring 1986.

The most active sector for new development in Tampa is the airport/Westshore area. Current projects include:

- A 176-unit all-suite Residence Inn is under construction on Rocky Pointe. Projected opening is January 1986.
- A 203-unit all-suite Pickett Hotel is also under construction on Rocky Pointe. Projected opening is April 1986.
- A 133-room Hampton Inn Hotel is planned and would be located on Laurel Street, just off Westshore Boulevard. Opening is scheduled for early 1986.
- A 256-unit Embassy Suites Hotel is under construction near the Holiday Inn-Airport, with completion scheduled for spring 1986.
- A 446-room Hyatt Regency is planned for the Bayport Plaza office complex along the shore of Old Tampa Bay, just west of the Tampa International Airport. Completion is projected for 1987.

In downtown Tampa, the 300-room Harbour Island Hotel is under construction and scheduled for completion in July 1985. This commercial hotel is part of Phase I of the $150 million Harbour Island development project, which includes 110,000 square feet of specialty retail space and approximately 200,000 square feet of office space. The 177-acre island, south of downtown Tampa, is one of the largest undeveloped tracts of land near a major metropolitan area in the United States. Future plans call for additional office and retail space, condominiums and residential housing. A $262 million convention center complex is planned for development on the south end of downtown Tampa, across the channel from the Harbour Island development. It is to include a 600-room headquarters hotel and 290,000 square feet of meeting space in Phase I of the convention center. Completion is scheduled for 1988 or 1989.

The completion of Interstate 75 through East Tampa by mid-1986 is expected to stimulate numerous new commercial and industrial developments, including new hotel developments. Currently, a 265-room Holiday Inn is planned for location within the Sabal Center Industrial Park and is scheduled for completion during 1987. Approximately four economy properties, with a total of 452 rooms, are planned or under construction in proximity to the new Interstate 75 interchanges in East Tampa.

Year-to-date occupancy and average room rate statistics through March 1985 reflect the strength of the Tampa Bay area's lodging market. Even with approximately 1,100 new hotel rooms added to the existing supply during 1984, year-to-date occupancy was 76 percent compared with 75 percent for the same period in 1984. The average room rate through March 1985 was $52.45, approximately even with the same period in 1984. These hotel performance levels are significant and reflect Tampa Bay area's continued economic stability and growth.

Kathy Phillips
Chuck Ross
Tampa

From Toledo

The Toledo lodging industry showed signs of continued growth in 1984, achieving a marketwide occupancy of approximately 62 percent, 6 percentage points above 1983 marketwide occupancy levels. Average room rates in 1984 rose about 9 percent over 1983, reflecting an increase of approximately $3.25 over the prior year.

The southwest sector remains the strongest market area in Toledo due to its location near the Ohio Turnpike and increased commercial and retail development in the area.

As a result of plans to develop the $40 million Toledo Convention and Convocation Center, which includes a 75,000-square-foot main exhibition hall, proposed hotel development in the downtown sector has been very aggressive. Presently under construction is the 250-room L'Hotel Sofitel adjacent to Portside, a new $19 million mixed-used "Festival Marketplace" located on the Maumee River. This property is expected to open in early fall of 1985. A 400-room Radisson Hotel is scheduled to break ground simultaneously with the development of the Toledo Convention and Convocation Center, which is scheduled for completion in 1987. The Radisson is expected to be completed by February 1987 and will be connected to the convention center, serving as the headquarters hotel. A third hotel project involves the proposed 325-room renovation of the Commodore Perry Hotel, which originally opened in 1927.

As a result of new development in the downtown market, it is likely that lodging demand currently being accommodated in the suburban markets will be attracted to the downtown market. This in turn is expected to have an adverse effect on the occupancy levels at the suburban properties. The outlook for the Toledo lodging industry holds a degree of uncertainty due to the rapid increase in lodging supply and its dependency upon the successful marketing and operation of the Toledo Convention and Convocation Center.

Grant Sabroff
Cleveland

From Tucson

The most rapid and visible growth in Tucson's lodging industry is occurring in the resort sector. In late 1982, the Sheraton El Conquistador opened as Tucson's first full-service resort, which helped establish Tucson as a resort destination market. The 440-room Loew's Ventana Canyon Resort opened in the fall of 1984, serving to further enhance Tucson's resort image; with the 400-room Westin La Paloma scheduled to open in late 1985, Tucson should be ready to compete for

large national group demand with the desert resorts in Scottsdale and Palm Springs.

Commercial hotel development in Tucson is concentrated on the city's east side and near Tucson International Airport. During 1983 and 1984, three moderately priced facilities opened near the airport: a Ramada Inn, a Days Inn and the Skytel. In addition, the Foothills TraveLodge opened on the city's east side.

A number of commercial properties are under construction in east Tucson. The 300-room all-suite Radisson Hotel is expected to open in January 1986, the 250-room Hilton is expected to begin operations in mid-1986 and the Hotel Park Tucson, a 217-room suite-style hotel, will open in mid-1985. A Brock Residence Inn with 96 rooms is under construction on Speedway Road and is expected to open nearly 1986. These hotels, in addition to a number of other properties planned for the east side of Tucson, will serve to increase the level of competition for hotel demand in that area.

Interest in hotel development on the northwest side has increased recently, particularly along Oracle Road. With few existing lodging facilities and strong commercial growth, this area appears to present opportunity for the future.

Tucson's ability to take advantage of economic upturns while resisting economic slumps, along with its strong rate of growth, are positive indicators with respect to hotel development potential in that market. The increased visibility of upscale resort development in Tucson will serve to further enhance the city's image with respect to tourism.

Brian Wilson
Gary Mills
Phoenix

From Tulsa

Lodging development in Tulsa has continued at an accelerated pace through 1984. Available rooms in 1984 increased 31.5 percent over 1983, while occupied rooms increased 20.5 percent over the same period. Aggregate market area occupancy for 1984 decreased to the lower 50 percent range from the upper 50 percent range achieved in 1983. Average room rates decreased by approximately 2.6 percent, compared to a 6 percent decline experienced in 1983.

Recent additions to Tulsa's lodging supply include:

- A 390-room Sheraton-Kensington Hotel, which opened in February 1984 as a part of the Kensington Galleria mixed-use development.
- A 371-room Doubletree Hotel, which opened in February 1985 and was developed adjacent to Warren Place, a 2.7-million-square-foot office complex.
- A 200-room TraveLodge Motel in southeastern Tulsa (Broken Arrow), which provides expansive meeting and banquet facilities.
- A 120-room La Quinta Motel also located in Broken Arrow.

Currently under construction is a 248-unit Embassy Suites scheduled to open in the summer of 1985. A small Texian Inn is being developed near the Marriott Hotel, and a 160-room Dillon Inn is proposed for development near the new Embassy Suites.

Significant room supply additions recently have been exceeding increases in lodging demand and likely will lead to continued softening of market occupancy. Also, average room rates have been declining due to increased competition for the same segments of lodging demand.

City officials anticipate that the recently completed expansion of the Tulsa Assembly Center in conjunction with passage of liquor-by-the-drink will increase the convention and tourist-related segments of lodging demand in Tulsa.

Elizabeth H. Ong
Paul D. Enggaard
Kansas City

From Upstate New York

The lodging industry in the primary cities of Upstate New York continued the growth begun in 1983. As demand for hotel rooms in Upstate New York increased for the second consecutive year, numerous new hotels opened, and hotel development activity continues to be strong. Economy lodging properties have contributed the primary growth, while some development has occurred in first-class hotels. Modest commercial development occurred throughout the area and is expected to continue into 1985.

The economic profile of the Albany area indicates positive growth trends for hotel facilities as the city continues to expand its role as the region's primary financial and government center. Growing office development, occupancy and rent levels are strong indicators of growth in commercial and governmental room night demand and were importantly responsible for the over 5 percent increase in are room night demand. Overall area occupancy was approximately 65 percent, up 3 percent from the previous year. Suburban properties out-performed downtown properties by approximately 10 occupancy points.

Downtown Albany's urban renewal continues, with the ground breaking for the Albany County Civic Center set for late 1985 and completion scheduled for the fourth quarter of 1987. The facility is currently designed to include a 12,000-seat sports arena, a 50,000-square-foot exhibition hall and a 1,000-space parking garage. The principal purpose of this civic center is to stimulate the economic revitalization of the city's central business district and to assist Albany in establishing a competitive position with respect to conventions, trade shows and other large meetings. Proposed office developments downtown call for an additional 450,000 square feet of space to be added to the existing inventory of approximately 3.2 million square feet. Several suburban office parks are in various phases of development. The two largest, Corporate Woods and Capital Plaza, currently contain approximately 400,000 square feet and have a combined build-out potential of two million square feet.

Currently there are two hotel projects under construction that will add to the inventory of hotel rooms in the area. The 303-room Marriott Hotel on Wolf Road is scheduled for a June 1985 opening. The 155-room Hampton Inn just east of Wolf Road is scheduled to open in the second quarter of 1986. Proposed or rumored projects include a 300-room hotel adjacent to the future Norstar Bank headquarters in the Union Station Building and a 400-room hotel to be incorporated into the civic center complex.

Based on the amount of planned office development and the completion of the Albany County Civic Center, the Albany market is expected to exhibit stable growth in lodging demand over the next several years. However, a significant increase to the supply of hotel rooms is

expected and could serve to depress area-wide occupancy.

Buffalo, New York State's second largest city, experienced its second year of moderate expansion after suffering from a 13 percent unemployment rate and numerous industrial plant closings in the first three years of the decade. In 1984, there was considerable expansion of the labor force and moderate new commercial development in Buffalo and its surrounding communities. Because of these improving economic indicators, hotel development activity increased, especially in the suburban community of Amherst.

The downtown Buffalo lodging market still lagged way behind many of the suburban markets. Area-wide occupancy among downtown properties was 56 percent in 1984, a decrease of 5 percentage points from the 1983 level. Buffalo's 400-room Hyatt Regency opened in 1984, and this increase in supply offset demand growth. The presence of the Hyatt Regency, located adjacent to the Buffalo Convention Center, is expected to help attract conventions to the area, which should help increase 1985 occupancies.

The airport/Amherst lodging market, situated to the east of downtown Buffalo, achieved a 73 percent occupancy in 1984, a 4.3 percent increase over the 1983 level. The Marriott Inn in Amherst continued to be the leader of the first-class hotel market. The Red Roof Inn, adjacent to the Marriott and the Luxury Budget Inn near the Greater Buffalo International Airport, maintained the highest occupancy among the economy sector.

Numerous hotel chains have become interested in the Amherst area, and the degree of development activity occurring there in 1984 indicates a substantial number of new rooms may enter the market over the next five years. A 130-room Days Inn is under construction next to the airport and is expected to open in spring 1985. Hampton Inn, Knights Inn, Journey's End, Residence Inn and Super 8 have all expressed interest in developing hotels in the Amherst area.

The State University of New York at Buffalo, located in Amherst, is expected to start construction in 1985 on a research facility. The university also has proposed a new sports complex and performing arts building. These developments, coupled with continued commercial expansions, should help maintain occupancy levels and spur on further hotel development activity.

The city of Rochester achieved an average annual occupancy rate of 70 percent in 1984, 2 percentage points higher than the 1983 level. Development activity was heaviest in the southern suburban areas surrounding the Rochester-Monroe County Airport and the town of Henrietta. In this area, a 100-room Econo Lodge opened and two older independent hotels were renovated, one becoming a Quality Inn and the other a Comfort Inn. Additionally, a 250-room Holiday Inn, a 100-room Luxury Budget Inn and a 120-room Super 8 are under construction in the are and expected to open in 1985. Furthermore, a 100-room Luxury Budget Inn is under construction in Greece, to the east of downtown Rochester.

The Rochester Riverside Convention Center is scheduled for completion in 1985 and should serve to increase area-wide demand. The previously mentioned additions to the supply of hotels, as well as a 350-room Hyatt Hotel proposed for downtown Rochester, will offset the increased demand, and area-wide occupancies are expected to remain stable. Area-wide demand is expected to increase between 4 and 6 percent in 1985, based on a projected 5 percent increase to downtown Rochester's prime office space, an influx of new visitors to the convention center and the continued economic health of Rochester's primary employers.

Market indicators for the Syracuse area are generally positive. The Carrier Dome has proven to be an asset to continued development of the University Hill Area. The 232-room Sheraton University Inn and Conference Center is expected to open in early 1985 on the Syracuse University campus. A 725-room hotel at Syracuse Square Complex in downtown completed its first full year of operation after extensive renovations to the Hotel Syracuse in 1983. The Hotel Syracuse was attached to the Hilton Towers to form the complex.

The strength of the east Syracuse lodging market, centered around Carrier Circle, continues to attract developers. Numerous economy lodging chains have sought sites for hotel development in the Carrier Circle area.

The Syracuse Airport area, to the north of downtown, also sparked interest from economy lodging chains. The area currently contains the largest supply of guest rooms in the Syracuse market area. Occupancy levels remained similar to the 1983 occupancy of 72 percent.

Jeffrey C. Summers
Peter Brown
New York

From Washington, D.C.

Hotel occupancy and average room rates increased in the Washington, D.C. metropolitan area for the second consecutive year. The 1984 average annual occupancy for all metropolitan hotels was approximately 72 percent, a 6 percent increase over the 1983 level. Hotels within the District of Columbia reported the strongest occupancy gains at over 8 percent. Northern Virginia and suburban Maryland properties reported occupancy gains of 1.9 percent and 2.4 percent, respectively. The continued strength in the area's lodging market was attributable to presidential election year activities, the area's continued popularity as a tourist destination, the influence of the federal government, embassy and national association headquarters' activities, the emergence of the Washington D.C. Convention Center as a national meeting place, the rapid commercial development occurring in several suburban corridors and the continued improvement in the nation's economy.

Room rate increases surpassed inflation, as the overall average room rate rose 9 percent over 1983 to $70. District of Columbia hotels lead the three regions with an increase of 9.7 percent to $80, while suburban Maryland properties reported increases of 6.9 percent to $51. Northern Virginia properties achieved an aggregate average room rate of $56, an 8.6 percent increase over 1983.

During 1984, the District of Columbia's room inventory increased almost 10 percent, as six new hotels totaling just under 2,000 rooms opened. However, several of these did not open until late in the year and will not affect area occupancy until 1985. There are 1,145 rooms under construction in four other projects, including a 416-room Westin Hotel and the renovation of the historic 396-room Willard Hotel on Pennsylvania Avenue near the White House. At least 6,000 more rooms are in various planning stages, including an estimated 4,000 rooms within walking

distance of the D.C. Convention Center. The Center, now in its third year of operation, operated at near capacity in 1984, hosting a total 225 events, including 26 national shows and conventions and 34 public shows and other multiple day events, generating an estimated 837,000 room nights for the region's hoteliers.

In northern Virginia, significant growth continued to occur in the areas of Tyson's Corner, the Washington Dulles International Airport and along the area's two lines of the expanding metropolitan rapid transit system. Commercial, industrial and residential activity have begun to occur rapidly in the over 1,000 acres of land linked by a newly open highway between Tyson's Corner and the Dulles Airport area, and on land near the train stations of the rapid transit system. These developments have generated a variety of hotel development activity. Key developments include:

- Zoning approval for the 107-acre "Tyson's II" site, a hotel, regional shopping mall and office venture located in the western portion of Tyson's Corner. Ultimately, this mixed-use project is expected to add 3.1 million square feet of office space to Tyson's Corner.
- An announcement by the Governor of Virginia that the Commonwealth's $80.2-million-Center for Innovative Technology will be located adjacent to Dulles Airport in Fairfax County. The center will coordinate research between the high-technology companies expected to locate in and near the center, and Virginia's universities and colleges.
- The opening of four new stations of the area's rapid transit system in 1984 with four more scheduled in 1986. Several mixed-use developments are completed or are under construction near these new stations and the other stations along the system's two rail lines in northern Virginia.

In suburban Maryland, commercial, industrial and residential growth continued primarily in Montgomery County and northern Prince George's County. Significant developments which have generated hotel interest and activity include:

- The opening of seven new stations of the area's rapid transit system in Montgomery County. Several mixed-use projects are under construction near these stations and research and development activity continues to develop along I-270 which parallels the new transit line.
- Approximately 3.1 million square feet of office space will be added over the next five years in Bethesda. A Hyatt Regency hotel and a proposed Guest Quarters Hotel are among the many new projects included in the downtown redevelopment program.
- The Department of Defense announced Prince George's County as the site for their new Supercomputer Research Center. The center will be the first major tenant in the Maryland Science and Technology Center, a 466-acre research and development park near Bowie.
- The Bay of Americas waterfront development, a 485-acre mixed-use project proposed near I-95 and the Potomac River, is expected to proceed on the development of approximately 1.6 million square feet of office space, two hotels, luxury townhouses and a marina.

The accompanying table summarizes hotel development recently completed or currently underway in the Washington, D.C. metropolitan area.

Kevin Kearney
Theo Seale
Washington, D.C.

Washington D.C.
(New Properties)

Area	Property	Rooms	Year
District of Columbia	J.W. Marriott	774	1984
	Phoenix Park	84	1984
	Regent International	265	1984
	Hotel Bristol	240	1984
	Washington Plaza Hotel	350	1984
	Sheraton Grand	273	1985
	Capital Hilton (renovation)	(187)	1985
	Ritz Carlton (expansion)	100	1986
	Westin	416	1986
	Willard Hotel	395	1986
	Park Hyatt	233	1986
		2,943	
Total: District of Columbia			
Northern Virginia	Days Inn — Springfield	179	1984
	Comfort Inn — Van Dorn	196	1984
	Residence Inn	96	1984
	Holiday Inn — Fair Oaks	252	1984
	Embassy Suites — Tyson's Corner	232	1984
	Radisson Mark Plaza	500	1985
	Ramada Renaissance — Dulles	250	1985
	Holiday Inn — Tyson's Corner (expansion)	71	1985
	Rodeway Inn — Alexandria	150	1985
	Embassy Suites — Crystal City	265	1985
	Marriott Courtyard	148	1985
	Quality Inn — Pentagon City (expansion)	250	1986
	Marriott Crystal Gateway (expansion)	250	1986
	Sheraton — Tyson's Corner	450	1986
		3,289	
Total: Northern Virginia			
Suburban Maryland	Quality Inn — Gaithersburg	127	1984
	Ramada Hotel — Oxen Hill	200	1985
	Ramada Hotel — Bethesda (expansion)	25	1985
	Hilton Inn — Greenbelt	291	1985
	Holiday Inn — Greenbelt (expansion)	200	1985
	Hyatt Regency — Bethesda	384	1985
	Best Western — Laurel	125	1985
	Marriott Courtyard	148	1985
	Guest Quarters	188	1986
		1,688	
Total: Suburban Maryland			

From Westchester County

The 1984 average rate performance for the major lodging facilities in Westchester County, New York, was approximately $65 to $95, and the average occupancy was 70 to 74 percent. Average rates increased approximately 10 to 12 percent over 1983. Currently under construction are a 405-room Holiday Inn—Crowne Plaza in White Plains and a 53-room addition to the Tarrytown Hilton, both of which will be operational by mid-1985. A 350-room Meridien Hotel and a 148-room Marriott Courtyard are in the advanced planning stages and are expected to be operational by 1987. All of these additional rooms are located in either White Plains or Tarrytown and proximate to I-287, the county's premiere commercial corridor.

Fueling the additional hotel development has been the county's absorption of commercial office space, developed in response to higher office costs in Manhattan. Nearly two million square feet of new office space was completed in 1984, resulting in an inventory of over 24 million square feet of office space in the county. An additional six million square feet is anticipated to be completed by 1987. Future hotel development will likely occur in the northern portion of the county, as Pepsico and IBM have collectively announced plans to develop over 1.5 million square feet of office space by 1987.

The long-term lodging outlook for Westchester County is excellent, as additional commercial business-oriented lodging facilities increases. Westchester is slowly developing in the northern portion of the county, both residentially and commercially. As such, well-designed hotels, along with food and beverage and banquet facilities, will be in demand to support the needs of the business and residential communities alike.

R. Britton Colbert
New York

THE U.S. LODGING INDUSTRY—1985

by Mark V. Lomanno and Mark A. Orlinsky
Research and Development Division
Philadelphia, Pennsylvania

Introduction

This is Laventhol & Horwath's 53rd annual in-depth analysis of the U.S. lodging industry. Over this time, the report has become recognized as the single most authoritative source of information available today on the U.S. lodging industry. The information in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful for analyzing trends in revenue and expenses over successive time periods. The amounts and ratios contained in this report can be used when comparing the operating results of a specific establishment to properties with similar operating characteristics.

Preparation of this year's study began in February 1985 with the distribution of 5,000 questionnaires nationwide by Laventhol & Horwath's practice offices. In addition, direct contact was made with several major chains to obtain information about the properties they operate. The Research and Development Division of L&H subsequently obtained data from nearly 600 properties. After careful analysis for reasonableness and accuracy, 525 questionnaires were used in compiling data for this study.

These combined factors represent a broad cross section of the industry with total sales of approximately $5.5 billion in 1984. The information for these properties is broken down into separate categories and includes medians, quartiles and arithmetic means for 42 different groups. Supplementary information on source of business, composition of lodging demand and other relevant marketing statistics along with credit and collection data are also presented.

This year's study also includes some overall industry exhibits taken from other L&H publications and conference presentations. These provide a demographic illustration of the U.S. lodging market in addition to capsulizing information and trends from selected markets.

Bases of statistics

The statistics presented in this report have been computed on the three most common bases used to analyze operating results of lodging enterprises: annual amounts per room, ratio to room sales and ratio to total sales. Readers not familiar with L&H's lodging industry publications, especially those not well acquainted with hotel financial statements, are urged to consult "Bases and Significance of Hotel Statistics," which is Chapter 28 of the fourth revised edition of *Hotel Accounting*, published in 1978 by the Ronald Press Division of John Wiley & Sons. This material is essential to understanding and using the statistical information contained in this report.

The majority of the figures used in this study are medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since all establishments did not report for each line. A further explanation on understanding and utilizing medians can be found in Appendix I. The arithmetic or weighted mean is also used where it has been deemed appropriate. "The U.S. Lodging Industry Dollar" (page 44), for example, is based on weighted means to express absolute values rather than the relative position of the operating results of the establishments in the sample, which are expressed in medians and quartiles.

L&H makes no attempt to set or conform prices or operating ratios for the lodging industry. The amounts and ratios contained in this report should not be considered standards for any type of property or region, but should be utilized only as a guide when analyzing the operating results of a specific property.

Profile of contributors

Exhibit 1 defines the typical contributor to this study using various measures of central tendency such as the mean,

Exhibit 1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency

Criteria	Category of Typical Contributor
Age	Built between 1970–1980
Size	150–300 Rooms
Occupancy	60%–69%
Average Rate	$50.00–$54.99
Sales Volume	$2.5 million–$5.0 million
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales was less than 50% of room sales
Other Management Operation Results	Affiliated with a chain. Reported net income before income tax in 1984.

median and mode. As the exhibit illustrates, the typical contributor to this study is fairly representative of the large number of chain-affiliated properties built in the United States in the last decade.

The highlights of this year's study, again using various measures of central tendency, are shown in Exhibit 2. For the second consecutive year room night demand rose, from 66.1 percent in 1983 to 67.9 percent in 1984. Most of this rise occurred during the first half of 1984 as the industry continued the strength shown during the second half of 1983. The average daily rate rose 11.7 percent to $52.13. The combination of simultaneously rising occupancies and room rates enabled total revenue per room to rise a healthy 15.2 percent to $20,877. Despite revenue and demand growth, rising operating costs prohibited operators from realizing increased profits as net income before income taxes on a per room basis tumbled 37.3 percent to $481. To further illustrate this point, net income before income taxes as a ratio to total sales fell to 2.5 percent in 1984 from the 4.6 percent reported in 1983.

The source and distribution of the 1984 U.S. lodging dollar (compared with the previous year) are shown in Chart 1, based on the weighted mean of the responses received. As this chart illustrates, the portion of revenue generated from each source remained near 1983 levels, with the largest increase coming from guest room rentals which rose 0.9 percent to 59.9 percent in 1984.

On the distribution side, the allocation of revenue varied considerably in most departments from the previous year's results. The largest variation was a decrease reported in departmental costs which dropped from 12.2 percent in 1983 to 10.4 percent in 1984. The lower portion of revenue demanded by the departments was partially offset by increases in variable costs (payroll and related expenses, management fees, and marketing) and fixed costs (interest and depreciation).

The shift in the allocation of resources had the net effect of forcing net income before income taxes to fall to 2.2 percent in 1984 from 3.5 percent in 1983. Since 1980, profit margins have eroded 76.3 percent, dramatically highlighting the difficulties experienced by the lodging industry during the early part of the 1980s.

Exhibit 2
Highlights*

- Total revenue increased 15.2 percent on a per room basis to $20,877.
- Room occupancy increased to 67.9 percent compared with 66.1 percent in 1983.
- The average daily rate per occupied room was $52.13 compared with $46.67 in 1983, an increase of 11.7 percent.
- Payroll and related expenses per room increased 19.1 percent from $5,960 to $7,099.
- Income before income taxes decreased 37.3 percent on a per room basis to $481.
- Ratio to total sales, income before income taxes was 2.5 percent in 1984, down sharply from last year's 4.6 percent.

Market data

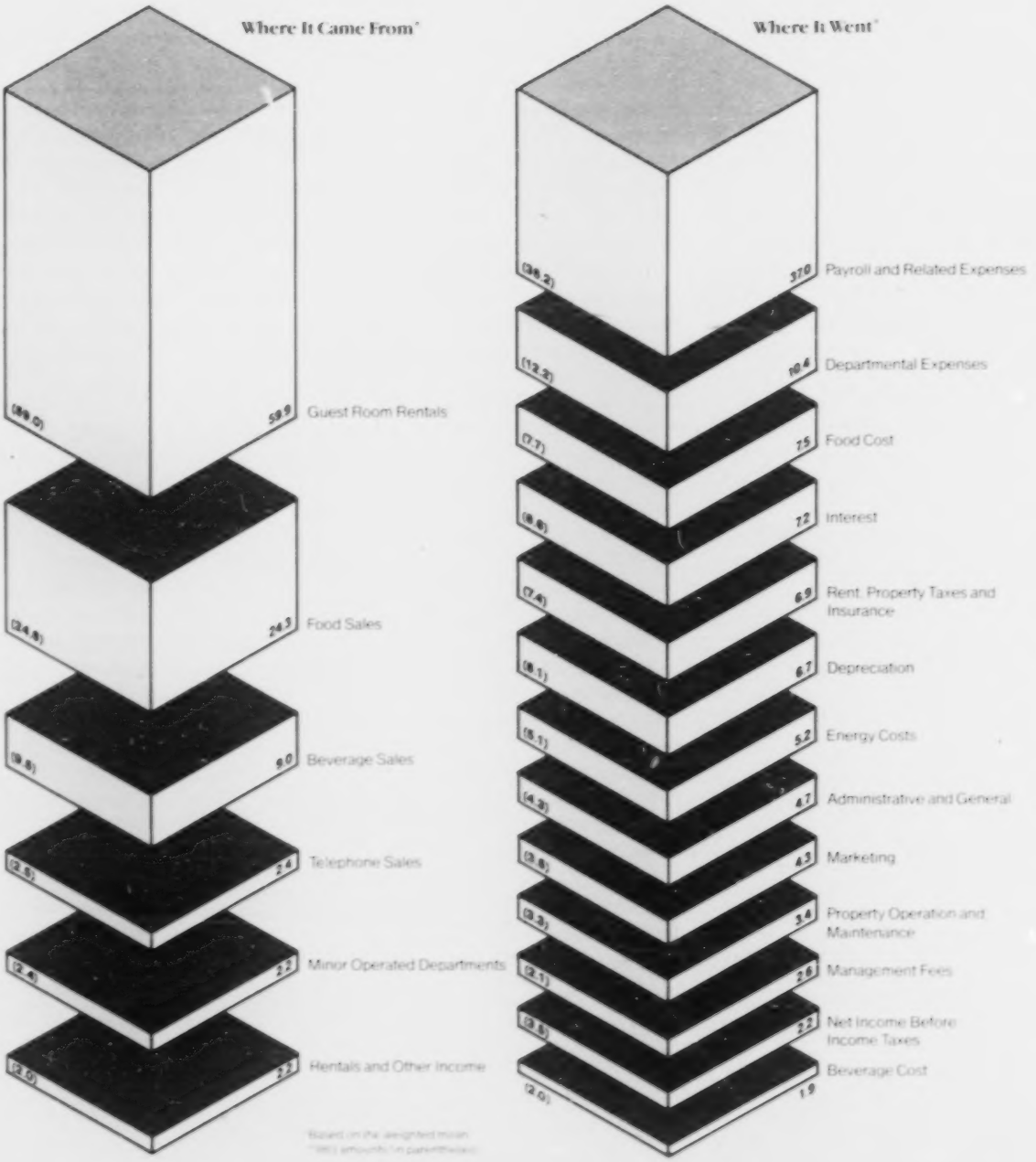
A snapshot of market composition and traveler behavior is presented in Exhibit 3. A number of prominent features of the U.S. lodging market emerge from these data: 1) The market is very American. The high proportion of domestic business in the U.S. is in sharp contrast with trends in other parts of the world, where domestic and foreign shares are almost equally split. 2) Businessmen and conference participants account for over half of the patrons of all lodging establishments. The former show a predilection for airport and suburban properties, and the latter for resort and center city locations. Resorts are the most homogeneous facilities with respect to market composition, nearly 80 percent of their patrons are tourists or conference participants. 3) The choice of a particular lodging facility is likely to be made in advance of the trip. The increasing dominance of chains and referral organizations is reflected in the relatively high proportion of reservations made via reservation systems.

In absolute terms, business and group/convention travel rose by nearly 7 percent in 1984, according to a survey by the U.S. Travel Data Center, while the number of person trips taken for pleasure purposes declined by about the same amount.

The information provided in Exhibit 3 (page 45) can be particularly useful in determining the customer mix of specific segments of the lodging industry. In addition, by gaining an understanding of their customer base and how these people plan for their stay, operators will be in a better position to meet the needs of their guests.

Chart 1

The U.S. Lodging Industry Dollar 1984



*Based on the weighted mean. 1983 amounts in parentheses.

Exhibit 3
Market Data*

	All Establishments	Location					Market	
		Center City	Airport	Suburban	Highway	Resort	Convention	Other
Source of Business								
Domestic	91.0	89.1	94.2	90.5	92.1	88.7	96.2	91.5
Foreign	9.0	10.9	5.8	9.5	7.9	11.3	3.8	8.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	43.4%	40.4%	49.2%	46.4%	47.3%	47.4%	39.6%	42.4%
Composition of Market								
Government Officials	6.8	8.8	6.8	5.9	7.0	1.8	1.4	7.6
Business Travellers	40.0	35.5	52.4	48.7	46.0	15.7	14.2	41.6
Tourists	24.7	18.3	18.8	14.7	27.2	55.5	21.8	26.7
Conference Participants	19.2	23.4	15.5	20.5	10.1	24.0	60.6	14.1
Other	9.3	14.0	6.5	10.2	9.7	3.0	2.0	10.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	66.3%	73.6%	65.8%	68.1%	59.1%	76.2%	95.5%	59.8%
Composition of Advance Reservations								
Direct	41.5	42.8	39.0	31.7	39.3	53.0	42.1	42.8
Reservation Systems	28.9	24.8	33.4	35.3	36.8	17.0	36.0	24.9
Travel Agents & Tour Operators	17.0	18.5	16.5	17.3	14.1	17.5	11.5	16.4
Other	12.6	13.9	11.1	11.7	9.8	12.5	10.4	15.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	0.9%	1.0%	0.8%	1.5%	0.8%	1.7%	1.6%	0.9%

*Arithmetic mean. Based on those supplying detail.

Exhibit 4
Nationality of Guests*

	All Establishments	By Area				
		North-East	South-East	North Central	South Central	West
U.S.A.	91.0%	90.6%	89.9%	95.1%	90.8%	89.7%
International	9.0	9.4	10.1	4.9	9.2	10.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other Nationalities — Ratio to Total International						
Canadian	26.8	31.8	34.4	40.0	13.8	26.5
Mexican	13.4	1.5	3.1	5.7	36.2	9.5
Japanese	11.5	11.3	2.7	12.4	10.5	15.9
British	8.6	7.7	5.8	5.7	5.2	12.6
South American	6.9	3.6	26.0	2.8	4.3	1.5
French	5.8	3.1	2.4	4.8	11.0	5.3
Other European	4.7	7.2	1.9	7.6	5.8	4.6
Central American	4.4	1.0	13.7	3.3	4.5	1.2
German	4.1	6.2	2.7	6.2	1.6	5.2
Other Asian	3.1	5.1	0.7	1.4	2.7	4.4
Italian	3.0	9.2	1.9	4.8	0.2	3.2
Australasian	2.9	4.1	1.0	1.0	1.0	5.0
Middle Eastern	1.9	3.6	1.7	2.4	2.3	1.4
Scandinavian	1.6	2.1	1.0	1.0	0.4	2.7
North African	0.5	2.1	0.5	0.5	0.2	0.5
Other African	0.8	0.4	0.5	0.4	0.3	0.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Arithmetic mean. Based on those supplying detail.

Exhibit 4 displays the nationality of guests staying in lodging establishments around the U.S. Canadians, Mexicans and Japanese nationals comprise about half of the international visitors. On a regional level, however, some particular preferences by various nationalities become evident. For example, a large proportion of Japanese guests stay in the West, while the foreign segment of the Southeast lodging industry is dominated by South Americans. Operators within a specific region can use this information to develop marketing strategies that reinforce the attractiveness of their area to nationalities already established as frequent visitors, or to market their area to those nationalities not currently traveling to that region.

Performance measurements

Exhibits 5 through 10 present several of the key performance measurements used to gauge the overall health of the industry. Exhibit 5 compares the median amounts of total sales, income before fixed charges and net income before income taxes for the past two years in selected categories. Generally, contributing properties reported increases in total sales and, through efficient operating,

were able to convert this additional revenue into higher income before fixed charges on a per room basis. This increased income did not mean higher profits, however, as income before income taxes was lower for most of the categories covered in this analysis.

An interesting trend has developed in the operating results of hotels reporting a high level of food and beverage sales in relation to room sales. For the third consecutive year, the higher the level of food and beverage sales, as a ratio to room sales, the lower the level of reported net income before income taxes. This indicates that unless a hotel has room sales to support an ambitious food and beverage operation, the overall effect on operations appears to be negative.

Exhibit 5
Comparison of Sales and Profitability by Selected Criteria

	Total Sales		Income Before Fixed Charges		Net Income (Loss) Before Income Tax	
	1984	1983	1984	1983	1984	1983
Age						
Pre-1960	$17,679	$21,243	$3,120	$4,635	$ (48)	$ 961
1960-1969	16,510	15,611	4,839	5,023	1,083	1,763
1970-1979	17,085	17,203	5,585	5,308	1,585	1,290
Post 1980	23,052	22,228	5,430	5,300	(2,380)	(2,814)
Size						
Under 150 Rooms	$13,806	$14,145	$4,530	$3,925	$1,092	$ 755
150-299	19,617	16,581	4,530	4,860	312	1,010
300-600	26,371	24,034	4,917	5,261	(73)	9
Over 600	32,677	31,180	7,261	8,491	1,901	1,479
Rate						
Less than $40.00	$11,311	$10,928	$3,051	$3,509	$ 505	$ 755
$40.00-$54.99	18,263	17,764	4,315	5,294	(36)	1,136
$55.00-$69.99	25,060	24,501	6,026	5,999	679	77
Over $70.00	36,154	35,558	8,843	8,645	1,484	1,881
Occupancy						
Under 50%	$16,135	$13,012	$ 646	$1,734	$(2,664)	$(1,481)
50-59%	18,263	17,382	2,624	2,781	(1,302)	(528)
60-69%	20,732	17,163	4,467	4,768	670	521
70-79%	22,915	19,725	6,774	6,837	1,642	2,775
80% & Over	23,927	21,832	8,073	7,875	3,137	3,734
Restaurant Not Operated	$11,106	$ 9,299	$4,883	$4,474	$2,104	$1,260
Restaurant Operated — Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	$18,657	$15,876	$5,399	$5,550	$ 922	$1,940
50-74%	22,891	20,057	5,170	4,213	283	153
75-99%	26,240	24,550	4,068	4,383	N	(542)
100% & Over	27,594	26,544	2,855	4,649	(3,126)	(1,289)
Median, All Establishments	$20,880	$18,118	$5,014	$4,911	$ 505	$ 773

N — Negligible

Exhibit 6
General Statistics

	Ratio of Income Before Fixed Charges to				Number of Times Average Rate Was Earned	
	Room Sales		Total Sales			
	1984	1983	1984	1983	1984	1983
Age						
Pre-1960	30.6%	39.6%	16.4%	21.3%	70	101
1960-1969	42.8	49.6	25.8	31.8	112	122
1970-1979	43.6	47.9	29.4	29.2	114	119
Post 1980	37.9	45.0	28.0	23.8	109	103
Size						
Under 150 Rooms	42.8%	44.3%	29.5%	26.5%	114	101
150-299	39.0	44.6	25.2	27.8	105	113
300-600	32.2	37.4	18.2	21.1	94	104
Over 600	39.4	45.2	24.8	25.1	105	113
Rate						
Less than $40.00	37.8%	45.3%	25.3%	36.1%	95	108
$40.00-$54.99	38.9	46.5	25.0	28.1	103	114
$55.00-$69.99	40.6	40.1	22.5	22.0	106	104
Over $70.00	39.7	41.1	23.9	24.4	109	111
Occupancy						
Under 50%	10.8%	24.5%	6.2%	12.7%	30	46
50-59%	27.8	29.3	16.8	18.4	67	69
60-69%	37.0	42.0	23.5	25.5	91	98
70-79%	45.3	51.6	29.7	31.4	126	139
80% & Over	50.2	50.9	34.4	33.6	153	158
Restaurant Not Operated	49.1%	49.6%	47.8%	46.2%	119	127
Restaurant Operated — Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	40.0%	46.9%	28.7%	32.7%	108	121
50-74%	38.5	36.3	21.9	20.9	99	90
75-99%	34.8	34.6	16.1	17.7	85	101
100% & Over	30.0	41.3	9.8	16.8	95	94
Median, All Establishments	39.0%	42.9%	24.5%	26.1%	105	108

Presented in Exhibit 6 is the ratio of income before fixed charges to room sales, as well as the number of times the average rate was earned for 1983 and 1984. For the third consecutive year, declines in all three measures were reported for the entire sample. The strong first half of the year in terms of room night demand kept these ratios from declining even further.

Exhibit 7 displays the three most commonly used measures of trends in the lodging industry, the percentages of occupancy and double occupancy, and the average room rate (room sales per occupied room) for the selected breakdowns. Occupancy rates were reported to be 67.9 percent in 1984, up significantly from the 66.1 percent in 1983. The largest

gains appear to have been realized in the newer, larger and more expensive properties. All five of the regional areas reported gains. Double occupancy rose slightly from the 40 percent in 1983 to 40.3 in 1984.

The most significant change occurred in room rates, which increased 11.7 percent from $46.67 in 1983 to $52.13 in 1984. This increase seems dramatic, but as room rates continue to rise in recent years, in constant dollar terms they have lagged inflation rates. With this in mind, this trend can be expected to continue for the next several years as operators continue efforts to increase revenue and offset rising costs.

Exhibit 7
Occupancy, Double Occupancy and Average Rate*

	Percentage of Occupancy		Percentage of Double Occupancy		Average Room Rate	
	1984	1983	1984	1983	1984	1983
Age						
Pre-1960	60.4%	66.7%	52.1%	42.3%	$48.37	$45.41
1960-1969	70.4	67.3	40.2	40.0	41.82	41.96
1970-1979	71.5	66.9	49.1	41.0	45.76	44.72
Post 1980	67.0	61.3	33.6	30.1	53.45	56.43
Size						
Under 150 Rooms	70.4%	66.1%	50.6%	58.2%	$40.29	$37.86
150-299	67.4	66.8	33.9	30.8	48.49	43.17
300-600	65.1	63.6	37.5	41.0	63.99	57.98
Over 600	68.8	66.6	55.0	49.4	73.49	71.15
Area						
Northeast	70.8%	70.3%	30.2%	25.2%	$61.95	$62.29
Southeast	67.0	66.8	51.2	50.5	54.44	50.68
North Central	65.2	64.1	39.2	36.9	46.79	42.15
South Central	65.0	63.5	38.9	36.7	45.80	41.38
West	70.6	70.5	51.7	48.9	53.63	49.76
Total Sales						
Less than $2,500,000	65.6%	63.4%	39.9%	44.4%	$41.06	$35.96
$2,500,000-$4,999,999	68.6	69.7	32.5	35.7	58.97	44.05
$5,000,000-$9,999,999	68.7	60.5	45.3	34.4	69.69	55.19
$10,000,000 & Over	73.8	69.9	52.8	45.2	85.04	71.39
Restaurant Not Operated	71.7	71.1	**	50.8	35.83	31.93
Restaurant Operated—Total Food & Beverage Sales Ratio to Room Sales						
Under 50% of Room Sales	69.9	70.1%	38.4	34.7	$51.24	$43.51
50-74%	67.9	63.5	49.2	37.4	55.30	50.58
75-99%	64.2	60.9	33.6	42.1	58.83	55.78
100% & Over	57.1	60.4	48.1	44.8	53.29	49.32
Median, All Establishments	67.9%	66.1	40.3%	40.0	$52.15	$46.67

*All figures are medians.
**Insufficient response.

Presented in Exhibits 8 through 10 are several key performance measures by comparing related categories. Exhibit 8 shows the difference between properties reporting net income before income taxes and those reporting a net loss. Exhibit 9 shows the difference between chain-operated establishments and those operated independently, and Exhibit 10 provides a comparison by various locations and contrasts their respective performance against 1983.

As shown in Exhibit 8, the properties reporting net income achieved considerably higher occupancies than their counterparts reporting a net loss. In addition to this key indicator of profitability, other major differences can be observed between these two groups. One is the substantially higher level of fixed charges reported for the net loss group. Also of note is that net loss properties had higher undistributed operating expenses in all categories indicating that this group has yet to institute efficient operating standards.

While chain-affiliated properties reported considerably higher occupancy rates than independently operated properties, the latter group reported 38.8 percent higher total sales per room. This is partially the result of higher room rates, but more significantly, it stems from a double occupancy rate that is 98.3 percent higher than chain-affiliated properties. Despite the higher sales, net income before income taxes was much higher for chain-affiliated properties. This appears to be the result of the economies of scale available through affiliation in cutting costs, such as administrative and general, which was 450 percent higher in independent properties.

Exhibit 10 provides a comparison of key measurements of industry performance by location type. The information can be useful in determining the impact of economic conditions on various segments of the lodging industry. In addition, some of the data contained in this exhibit can give the analyst an understanding of the steps taken by operators to combat difficult economic periods.

Exhibit 8
Net Income Differential*

	Lodging Facilities Reporting		Net Income Facilities Differ By
	Net Income	Net Loss	
Occupancy	71.5%	60.3%	18.6%
Double Occupancy	48.4	39.2	23.5
Average Rate	$ 52.93	$ 52.52	0.8
Amount Per Available Room			
Sales			
Rooms	$12,869	$11,156	15.4
Food	4,989	5,423	(8.0)
Beverage	2,350	2,203	6.7
Other	970	932	4.1
Total Sales	$21,443	$20,465	4.8
Payroll & Related Expenses	5,523	6,214	(11.2)
Undistributed Expenses (Excluding Payroll)			
Administrative & General	$ 937	$ 1,092	(14.2)
Marketing	813	1,007	(19.3)
Energy Costs	1,152	1,183	(2.7)
Property Operation & Maintenance	616	633	(2.7)
Income Before Fixed Charges	6,314	2,961	113.2
Fixed Charges	2,880	6,457	(65.4)
Net Income (Loss) Before Income Tax	2,557	(2,790)	—
Number of Times Rate Was Earned	119	73	27
Ratio of Income Before Fixed Charges to:			
Room Sales	48.9%	28.1%	74.0
Total Sales	29.7	17.4	70.7
Cost of Food Sales (After Credit For Employees' Meals)	34.2¢	35.6¢	(3.9)
Cost of Beverage Sales	23.9	22.1	8.1
Food and Beverage Departmental Income Ratio to Room Sales	9.8%	7.1%	38.0
Productivity Index			
Food & Beverage	2.36	2.24	5.4
Total	3.15	2.72	15.8
Balance Sheet Ratios			
Current Position	4.84	3.49	38.7
Accounts Receivable Ratio to Total Sales	3.9%	4.9%	(20.4)
Food Inventory Turnover	31	27	14.8
Beverage Inventory Turnover	6	6	—
Ratio of Total Sales to Total Assets	76.5	168.6	(54.6)
Ratio of Net Income Before Income Taxes to Total Sales	12.1	(14.9)	—

*All figures are medians.

Exhibit 9
Independent and Chain Affiliated*

	Independent	Chain-Affiliated	Independent Differs By
Occupancy	62.3%	69.0%	(9.7)
Double Occupancy	79.3	40.0	98.3
Average Rate	$ 50.35	$ 47.65	5.7
Amount Per Available Room			
Sales			
Rooms	$11,952	$11,138	7.3
Food	7,986	3,816	109.3
Beverage	3,382	2,151	57.2
Other	1,606	848	89.4
Total Sales	$24,976	$17,953	39.1
Payroll & Related Expenses	8,289	5,689	45.7
Undistributed Expenses (Excluding Payroll)			
Administrative & General	1,012	184	450.0
Marketing	812	828	(1.9)
Energy Costs	1,152	1,183	(2.6)
Property Operation & Maintenance	653	529	23.4
Income Before Fixed Charges	4,673	5,209	(10.3)
Fixed Charges	3,559	3,775	(5.7)
Net Income (Loss) Before Income Tax	158	669	(76.4)
Number of Times Rate Was Earned	101	109	(7.3)
Ratio of Income Before Fixed Charges to:			
Room Sales	42.9%	41.3%	3.9
Total Sales	21.9	26.9	(18.6)
Cost of Food Sales (After Credit for Employees' Meals)	34.3¢	35.9¢	(4.5)
Cost of Beverage Sales	23.0	23.8	(3.4)
Food and Beverage Departmental Income Ratio to Room Sales	12.0%	7.9%	51.9
Productivity Index			
Food & Beverage	2.44	2.38	2.5
Total	2.92	3.12	(6.4)
Balance Sheet Ratios			
Current Position	$ 3.98	$ 2.84	40.1
Accounts Receivable Ratio to Total Sales	4.5%	4.3%	4.7
Food Inventory Turnover	24	29	(17.2)
Beverage Inventory Turnover	5	7	(28.6)
Ratio of Total Sales to Total Assets	101.1%	132.1%	(23.5)
Ratio of Net Income Before Income Taxes to Total Sales	1.0	3.0	(66.7)

*All figures are medians.

Exhibit 10

Comparison of Data by Location*

	Center City		Airport		Suburban		Highway		Resort	
	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
Occupancy	63.7%	61.3%	71.1%	67.5%	68.4%	69.7%	72.3%	64.6%	67.0%	63.6%
Double Occupancy	42.2	40.6	27.1	27.0	40.3	35.0	41.6	35.7	82.1	73.5
Average Rate	$ 59.82	$ 55.55	$ 51.49	$ 44.15	$ 50.11	$ 41.39	$ 44.17	$ 41.12	$ 62.03	$ 58.27
Amount Per Available Room										
Sales										
Rooms	$11,254	$12,178	$11,733	$10,556	$11,983	$10,617	$11,013	$ 9,367	$15,251	$13,129
Food	5,549	4,877	4,047	3,530	3,857	3,075	3,457	3,103	7,793	7,263
Beverage	2,291	1,739	1,968	1,506	2,404	1,450	1,955	1,848	2,857	2,411
Other	1,064	1,232	909	1,041	866	854	742	748	1,950	1,508
Total Sales	$20,158	$20,683	$18,657	$18,285	$19,110	$15,591	$17,167	$15,374	$27,851	$25,102
Payroll & Related Expenses	8,746	7,964	7,147	5,826	5,334	4,727	4,470	4,788	11,267	9,191
Undistributed Expenses (Excluding Payroll)										
Administrative & General	1,208	817	943	779	815	518	936	933	1,267	1,210
Marketing	1,010	701	837	565	899	231	836	560	1,298	1,121
Energy Costs	1,242	1,184	1,031	886	1,061	852	1,032	924	1,546	1,336
Property Operation & Maintenance	586	629	565	500	538	481	480	472	878	802
Income Before Fixed Charges	4,095	4,718	4,502	4,777	6,039	5,335	4,260	4,446	5,826	[illegible]65
Fixed Charges	6,045	3,821	3,873	3,365	3,791	2,700	3,544	3,417	3,970	3,635
Net Income (Loss) Before Income Tax	$ (48)	$ 397	$ 420	$ 402	$1,105	$1,953	$ 1	$ 378	$ (657)	$ 1,027
Number of Times Rate Was Earned	90	92	109	112	116	130	102	110	97	101
Ratio of Income Before Fixed Charges to:										
Room Sales	33.8%	40.0%	39.8%	44.7%	44.3%	53.1%	38.5%	45.8%	37.0%	43.4%
Total Sales	25.2	23.5	22.6	28.5	24.0	37.6	24.3	27.2	25.4	21.9
Cost of Food Sales (After Credit For Employees' Meals)	34.5¢	32.5¢	35.3¢	35.1¢	36.9¢	33.6¢	35.6¢	36.4¢	33.7¢	33.5¢
Cost of Beverage Sales	22.9	21.4	21.7	22.0	22.8	22.3	24.0	22.1	22.7	21.9
Food & Beverage Departmental Income Ratio to Room Sales	5.4%	6.4%	9.7%	9.1%	12.3%	7.9%	10.8%	12.9%	10.2%	12.8%
Productivity Index										
Food & Beverage	2.08	2.13	2.35	2.33	2.52	2.56	2.70	2.74	2.41	2.70
Total	2.76	2.71	3.00	3.13	3.61	3.46	3.34	3.18	2.79	3.00
Balance Sheet Ratios										
Current Position	$ 2.59	$ .97	$ 4.57	$ 1.08	$ 3.55	$ .95	$ 6.38	$ .51	$ 3.80	$ 1.13
Accounts Receivable Ratio to Total Sales	4.3%	4.7%	2.3%	4.1%	4.2%	4.4%	3.8%	2.5%	3.3%	4.3%
Food Inventory Turnover	27	32	30	29	27	30	21	28	29	24
Beverage Inventory Turnover	6	7	7	7	6	7	10	13	6	5
Ratio of Total Sales to Total Assets	111.2%	67.1%	111.3%	75.8%	117.6%	98.6%	134.3%	76.9%	167.2%	90.5%
Ratio of Net Income Before Income Taxes to Total Sa[illegible]	7.2	(1.6)	(0.9)	(1.8)	1.3	0.2	(2.6)	3.7	3.0	3.1

*All figures are medians.

Analysis of operated departments

Operating results for each department are displayed in Exhibits 11 through 18. Illustrated in Exhibits 11 and 12 is the composition of sales in relation to total revenue and the amount per guest day. Exhibits 13 through 18 provide information on the rooms, food and beverage, telephone and minor operated departments.

Exhibit 11 presents composition of sales for selected categories. As in previous years, the rooms department generated more revenue in each category, followed by food sales.

Shown in Exhibit 12 is a breakdown of sales per guest day based on arithmetic means. For the third consecutive year, net loss properties generated higher levels of sales than the net income group. This indicates that this group (hotels with net losses) received adequate levels of spending from their guests, yet did not generate a sufficient demand or were unable to control operating costs.

Rooms department operations

Exhibit 13 illustrates the median amounts per room and the ratio to total sales for the major revenue and expense items in the rooms department. Information is provided for all establishments and by size of establishment. As shown in the exhibit, median net departmental income per room rises as the size of property increases. However, net departmental income per room as a ratio to total sales is significantly higher for properties under 300 rooms than those properties with more than 300 rooms.

Information on the cost of different room expenses per occupied room per day within various occupancy levels is presented in Exhibit 14. (See page 56.) Total expenses per occupied room is lower for hotels with higher occupancy rates, illustrating economies of scale in the allocation of room expenses.

Exhibit 11
Composition of Sales*

	Age				Size				Location	
	Built Pre-1960	1960-1969	1970-1979	Post 1980	Under 150 Rooms	150-299	300-600	Over 600 Rooms	Center City	Airport
Rooms	59.5%	78.3%	65.5%	70.1%	70.8%	65.2%	58.3%	61.8%	64.3%	58.5%
Food	22.6	9.3	20.1	17.5	15.5	20.5	26.1	22.3	22.2	22.5
Beverage	8.1	2.6	7.7	7.4	6.1	8.6	9.6	7.5	8.1	7.4
Telephone	1.8	2.5	2.3	2.9	2.4	2.7	2.5	2.5	2.6	1.7
Minor Operated Departments	2.2	4.2	3.1	1.1	2.0	1.6	1.8	3.1	1.4	5.3
Rentals & Other Income	5.8	3.1	1.3	1.0	3.2	1.4	1.7	2.8	1.2	4.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.
**Data for these properties were excluded from all other categories.

Exhibit 12
Sales Per Guest Day*

	All Establishments	Location					Market		Those Reporting	
		Center City	Airport	Suburban	Highway	Resort	Convention	Other	Net Income	Net Loss
Rooms	$42.97	$42.92	$40.39	$43.52	$26.73	$41.46	$38.19	$44.75	$46.62	$46.29
Food & Beverage	27.01	28.69	20.36	30.67	13.32	26.39	32.51	27.65	28.62	30.03
Telephone	1.97	1.54	2.07	1.84	0.95	1.09	1.49	2.01	2.04	2.07
Minor Operated Departments	0.91	0.93	0.24	1.00	0.13	3.15	1.05	2.08	1.56	2.49
Rentals & Other Income	1.05	0.85	0.73	0.63	0.36	1.93	1.61	1.76	2.01	1.49
Total	$73.91	$74.93	$63.79	$77.66	$41.49	$74.02	$74.84	$78.25	$80.85	$82.37

*Based on arithmetic mean.

Location			Restaurant Not Operated**	Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales				Reporting	
Suburban	Highway	Resort		Under 50%	50–74%	75–99%	100% & Over	Net Income	Net Loss
68.5%	66.6%	68.0%	93.3%	71.3%	58.1%	49.9%	38.5%	67.7%	62.0%
17.8	19.7	18.9	0	17.1	25.7	30.1	35.2	18.4	22.7
8.1	9.1	7.8	0	6.2	11.0	11.3	14.2	7.0	9.1
2.8	3.1	2.7	3.3	2.8	2.5	2.1	1.6	2.5	2.7
1.4	0.5	1.1	0.6	1.0	1.4	4.8	4.4	1.7	2.0
1.4	1.0	1.5	2.8	1.6	1.3	1.8	6.1	4.6	1.5
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Exhibit 13
Rooms Department
Median Amounts Per Room and Ratios to Sales*

	All Establishments	Size			
		Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms
Revenue					
Room Sales	$11,715	$10,172	$11,599	$14,245	$17,612
Allowances	88	70	86	122	88
Net Revenue	11,982	10,041	11,597	14,509	18,353
Departmental Expenses					
Payroll & Related Expenses	1,994	1,598	1,863	2,614	3,411
Commissions	90	37	89	148	180
Contract Cleaning	27	22	17	34	80
Linen	110	102	105	118	140
Laundry & Dry Cleaning	146	36	79	250	343
Operating Supplies	235	188	226	274	320
Other Operating Expenses	145	124	149	170	85
Reservation Expense	154	116	154	160	267
Uniforms	25	16	22	37	45
Total Expense	2,952	2,304	2,736	3,912	5,038
Net Departmental Income	$ 9,056	$ 7,685	$ 8,736	$10,754	$13,887
Ratio to Total Sales					
Net Revenue	62.3%	74.0%	63.1%	57.7%	59.2%
Payroll & Related Expenses	10.8	11.8	10.7	10.7	10.8
Net Departmental Income	45.8	53.5	47.5	41.0	43.4

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

An analysis of the food and beverage department is presented in Exhibits 15, 16 and 17. The ratios to food and beverage sales for selected groups are shown in Exhibit 15; statistics of sales per room and per seat, average receipt per guest and other measurements are shown in Exhibit 16. Presented in Exhibit 17 are the major components of operating cost, the cost of sales and cash payroll.

Departmental ratios shown in Exhibit 15 are broken down to provide information for not only the entire sample but for operations with high and low food and beverage sales, high and low occupancy, those reporting net income and net loss, and those catering primarily to conventions. Departmental income for the entire sample fell during 1984 to 16.9 percent of the total food and beverage sales. The productive index fell from 2.43 in 1983 to 2.32 in 1984.

Presented in Exhibit 16 is an extensive analysis of the key performance measures relating to the food and beverage departments. Sales per room, sales per seat, average check and similar statistics are provided for selected groups by size, restaurant volume in relation to room sales, location and for those properties catering to conventions. This information is useful in determining the varying levels of food and beverage operations conducted by different segments of the industry.

The cost of sales and cash payroll, sometimes referred to as the prime cost, analyzed by food and beverage sales as a ratio to room sales is presented in Exhibit 17.

Exhibit 14
Rooms Department Expenses
Per Occupied Room Per Day* — By Occupancy

		Occupancy				
	All Establishments	Under 50%	50-59%	60-69%	70-79%	80% & Over
Payroll & Related Expenses	$ 8.99	$10.58	$ 9.19	$ 8.99	$ 8.36	$ 7.81
Commissions (Including Travel Agents)	0.48	0.48	0.35	0.50	0.53	0.46
Contract Cleaning	0.10	0.14	0.15	0.09	0.08	0.11
Laundry & Dry Cleaning	0.80	1.24	0.71	0.83	0.60	0.60
Linen	0.45	0.51	0.42	0.45	0.45	0.50
Operating Supplies	1.05	1.22	1.03	1.00	1.11	1.03
Other Operating Expenses	0.61	0.86	0.71	0.65	0.54	0.53
Reservation Expense	0.62	0.65	0.69	0.62	0.62	0.56
Uniforms	0.11	0.10	0.11	0.11	0.10	0.11
Total — 1984	$13.21	$15.78	$13.36	$13.24	$12.39	$11.71
Total — 1983	11.57	13.22	12.26	11.48	10.54	11.63
Increase (Decrease)	14.2%	19.4%	9.0%	15.3%	17.6%	0.7%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Exhibit 15

Restaurant Operations Ratios to Total Food & Beverage Sales—By Selected Criteria*

	All Establishments	Food & Beverage Sales Ratio to Room Sales: Under 50%	Food & Beverage Sales Ratio to Room Sales: 100% & Over	Occupancy: Under 50%	Occupancy: 80% & Over	Establishments Reporting: Net Income	Establishments Reporting: Net Loss	Market: Convention
Sales								
Food	72.3%	72.5%	70.7%	72.7%	73.4%	72.6%	71.6%	74.7%
Beverage	28.1	27.5	29.3	27.4	27.1	27.4	28.4	25.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales**								
Cost of Food Consumed	37.6	38.4	36.7	40.5	37.1	36.7	39.0	38.5
Less Cost of Employees' Meals	3.6	3.8	3.2	4.9	3.3	3.5	3.9	3.4
Cost of Food Sold	34.9	36.2	34.7	36.4	34.3	34.2	35.6	33.9
Cost of Beverages Sold	22.3	23.2	22.2	23.5	22.0	21.8	23.0	22.8
Total Cost of Sales	31.2	32.6	30.7	32.2	31.1	30.6	31.6	31.0
Gross Profit	68.9	67.4	69.3	67.8	69.0	69.4	68.4	70.0
Public Room Sales	3.0	3.8	2.2	1.9	3.6	3.3	2.9	0.7
Other Income	0.9	0.8	1.0	1.0	0.7	0.9	0.8	3.2
Total	72.1	71.6	72.6	70.1	72.5	72.9	71.6	71.3
Departmental Expenses								
Payroll & Related Expenses	43.0	46.6	41.0	44.8	42.7	42.4	44.7	41.9
China, Glassware, Silver & Linen	1.6	1.6	1.7	1.5	1.9	1.7	1.6	1.8
Contract Cleaning	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5
Kitchen Fuel	0.3	0.5	0.3	0.4	0.5	0.3	0.4	1.0
Laundry & Dry Cleaning	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.3
Licenses	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Music & Entertainment	2.4	2.3	2.8	2.4	2.6	2.4	2.4	2.6
Operating Supplies	2.6	2.8	2.6	2.9	2.3	2.7	2.6	2.4
Other Operating Expenses	1.2	1.5	1.2	1.7	1.4	1.0	1.6	1.7
Uniforms	0.4	0.5	0.4	0.3	0.6	0.5	0.4	0.7
All Other Expenses	1.4	1.8	1.3	0.8	0.9	1.3	1.7	2.0
Total	55.5	60.5	53.6	59.8	55.9	54.2	57.7	54.5
Departmental Income	16.9%	12.4%	20.2%	9.7%	17.5%	20.0%	14.6%	16.8%
Productivity Index	2.32	2.15	2.67	2.23	2.34	2.36	2.24	2.38

*All figures are medians and do not necessarily add to totals shown.
**Cost of sales ratios, except total cost of sales, are shown as a percentage of corresponding sales.

Exhibit 16
Food and Beverage Statistics—By Selected Criteria*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Under 50%	50-74%
Food Sales—By Facility						
Amount Per Available Room						
Dining Room	$3,094	$2,557	$3,320	$3,701	$2,008	$3,148
Room Service	166	343	535	603	357	570
Banquet	935	1,304	2,695	3,058	894	2,526
Bar/Lounge	230	106	87	128	69	132
Total	$3,870	$3,821	$7,033	$7,566	$3,101	$5,688
Ratio to Total Food Sales						
Dining Room	76.6%	62.3%	49.2%	47.9%	63.0%	51.8%
Room Service	2.8	5.7	7.6	8.1	8.9	7.6
Banquet	30.0	32.3	40.9	43.9	30.9	40.8
Bar/Lounge	3.3	1.9	1.2	1.8	1.7	2.0
Amount Per Seat						
Dining Room	$4,968	$3,419	$5,411	$7,198	$3,332	$4,877
Banquet	514	599	1,230	837	601	1,093
Bar/Lounge	488	44	488	1,030	1,136	214
Total	$2,623	$2,678	$2,781	$7,573	$3,029	$2,812
Average Check						
Dining Room	$ 6.90	$ 7.09	$ 7.95	$ 7.52	$ 6.07	$ 7.51
Room Service	6.41	6.28	7.50	9.15	7.19	7.46
Banquet	8.83	9.88	13.64	17.06	11.04	13.19
Total	$ 6.52	$ 7.21	$ 9.64	$ 10.69	$ 6.95	$ 8.58
Covers Served Per Seat						
Dining Room	790	590	608	782	582	618
Banquet	70	85	116	97	87	116
Room Service Sales						
Per Occupied Room						
Food	$ .69	$ 1.41	$ 2.39	$ 2.50	$ 1.39	$ 2.39
Beverage	.35	.23	.57	.85	.36	.63
Total	$ .15	$ 1.45	$ 2.94	$ 3.40	$ 1.45	$ 2.53
Per Guest						
Food	$ .78	$ .90	$ 1.70	$ 1.70	$ .98	$ 1.57
Beverage	.39	.25	.55	.82	.33	.56
Total	$ .73	$ .98	$ 1.92	$ 2.41	$ 1.20	$ 1.91

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75-99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$4,224	$6,172	$3,113	$2,494	$2,635	$2,718	$4,428	$3,714
461	399	540	427	330	658	363	590
3,160	3,601	2,182	1,304	1,769	1,035	2,062	3,929
85	235	94	98	75	64	130	72
$7,685	$9,789	$5,549	$4,047	$3,857	$3,457	$7,793	$11,404
53.0%	58.9%	54.7%	59.1%	55.9%	69.3%	68.6%	48.2%
5.2	4.0	8.1	7.4	6.2	9.2	4.5	8.7
41.8	37.8	38.0	33.4	35.8	31.4	31.4	41.3
1.0	1.9	1.4	2.4	2.1	1.6	1.7	.9
$5,599	$5,947	$4,965	$3,687	$3,897	$4,593	$4,650	$6,062
1,037	1,068	1,084	778	1,231	384	593	701
164	2,006	737	72	352	1,450	110	327
$2,839	$2,719	$2,855	$1,753	$3,159	$2,033	$2,500	$ 6,838
$ 8.19	$ 8.18	$ 8.13	$ 6.75	$ 7.50	$ 6.97	$ 7.04	$ 8.74
7.49	8.11	7.78	7.14	6.47	6.83	5.69	7.14
14.05	13.40	11.75	11.79	8.63	8.34	11.81	12.50
$10.03	$ 9.18	$ 8.82	$ 7.35	$ 8.23	$ 7.10	$ 8.11	$ 9.57
547	732	608	736	466	631	776	795
94	75	87	109	114	128	73	75
$ 2.08	$ 1.92	$ 2.44	$ 1.68	$ 1.35	$ 2.65	$ 1.39	$ 2.73
57	86	87	28	38	37	36	87
$ 2.45	$ 2.06	$ 2.94	$ 1.91	$ 1.74	$ 2.27	$ 1.40	$ 4.10
$ 1.80	$ 1.84	$ 1.81	$ 1.23	$ 1.36	••	$ .83	$ 1.85
54	84	78	23	40	••	16	56
$ 2.03	$ 2.54	$ 2.48	$ 1.38	$ 1.63	••	$ .95	$ 2.57

Exhibit 16 (continued)*

	Size				Food and Beverage Sales Ratio to Room Sales	
	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Under 50%	50-74%
Beverage Sales—By Facility						
Amount Per Available Room						
Dining Room	$1,245	$ 555	$ 766	$ 773	$ 476	$ 700
Room Service	67	59	129	223	87	159
Banquet	188	337	664	757	226	599
Bar/Lounge	2,132	1,184	1,154	1,191	879	1,495
Total	$2,158	$2,046	$2,506	$2,959	$1,220	$2,534
Ratio to Beverage Sales						
Dining Room	42.8%	28.9%	30.5%	27.9%	31.2%	27.2%
Room Service	1.6	2.6	5.4	8.4	5.9	5.4
Banquet	11.3	15.6	25.9	30.1	16.4	24.4
Bar/Lounge	82.7	64.6	45.4	47.0	66.3	56.5
Ratio to Food Sales						
Dining Room	21.6%	19.4%	22.0%	18.6%	23.5%	19.1%
Room Service	17.9	18.7	25.5	34.6	21.8	26.9
Banquet	22.0	22.2	23.5	25.4	21.9	23.3
Total (Including Bar/Lounge)	42.7%	41.6%	37.9%	36.0%	39.1%	41.4%
Amount Per Seat						
Dining Room	$ 701	$ 429	$1,070	$ 876	$ 374	$ 968
Banquet	140	159	265	204	154	276
Bar/Lounge	2,154	2,005	3,698	4,178	2,250	3,556
Total	$ 766	$ 760	$1,360	$2,907	$1,193	$1,176

*All figures are medians and do not necessarily add to totals shown.

Exhibit 17
Restaurant Operations—Cost of Sales and Cash Payroll*

Food & Beverage Sales Ratio to Room Sales	Cost of Sales & Cash Payroll 1984	Cost of Sales & Cash Payroll 1983	Increase (Decrease)
Under 50%	64.9%	66.4%	(2.3)%
50-74%	55.7	62.5	(10.9)
75-99%	54.8	61.4	(10.7)
100% & Over	55.1%	62.5%	(11.8)%

*Based on arithmetic mean.

Food and Beverage Sales Ratio to Room Sales		Location					Market
75-99%	100% & Over	Center City	Airport	Suburban	Highway	Resort	Convention
$ 814	$1,511	$ 584	$ 546	$ 417	$ 518	$ 888	$ 584
129	124	181	67	82	104	87	204
780	906	564	246	543	298	570	1,125
1,389	2,132	989	1,119	1,374	1,202	1,233	932
$3,093	$3,998	$2,291	$1,968	$2,404	$1,955	$2,857	$2,959
30.4%	33.8%	27.3%	25.4%	19.8%	30.3%	31.2%	24.7%
4.2	4.0	6.8	3.7	2.9	4.1	2.7	6.7
26.6	19.6	23.5	15.1	18.7	13.2	22.5	39.1
46.8	56.7	46.0	74.3	65.6	78.7	48.1	32.2
19.5%	24.2%	19.8%	15.0%	16.2%	14.7%	17.3%	15.8
29.5	35.7	30.2	18.5	21.0	14.8	26.3	27.9
23.4	24.5	23.7	17.9	24.0	23.1	23.7	26.8
35.4%	38.0%	38.6%	38.5%	44.0%	44.1%	30.9%	34.0%
$ 665	$ 781	$1,070	$ 964	$ 576	$ 435	$ 647	$1,066
204	231	282	185	295	150	140	256
2,102	2,614	3,618	2,660	2,176	3,167	2,063	1,279
$1,019	$ 514	$1,338	$ 692	$1,206	$ 943	$ 918	$2,069

Minor operated departments

As Exhibit 18 indicates, the industry as a whole still does not maintain a profitable telephone department, unlike overseas lodging operations where telephone departments thrive. These figures do, however, represent a slight increase over last year, providing a positive outlook for the future. Overall, performance in minor-operated departments has improved with profits being recorded industry wide. The primary reason for this occurrence is a marked reduction in cost of sales.

Exhibit 18
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*

	Size				Location					Market	
	Under 150 Rooms	150–299 Rooms	300–600 Rooms	Over 600 Rooms	Center City	Suburban	Airport	Highway	Resort	Convention	Other
Telephone											
Sales	$408	$504	$621	$686	$565	$579	$498	$423	$483	$642	$516
Cost of Sales											
Cost of Calls	328	344	389	381	360	366	373	288	308	313	348
Equipment Rental	114	96	94	193	101	73	116	80	190	280	111
Total	364	425	498	531	463	425	471	370	475	530	446
Payroll & Related Expenses	91	133	206	221	218	160	161	141	176	206	170
All Other Expenses	18	11	12	11	12	24	22	12	7	21	11
Total Costs & Expenses	402	490	706	748	640	584	512	396	624	749	541
Net Departmental Income or (Loss)	(3)	(3)	(83)	(122)	(29)	23	(15)	(4)	(144)	(229)	(20)
Ratio to Total Sales											
Sales	2.8%	2.7%	2.4%	2.4%	2.6%	2.9%	2.7%	2.7%	1.7%	2.1%	2.6%
Cost of Sales	1.9	2.4	2.0	1.9	2.2	2.3	2.4	2.5	1.6	2.1	2.3
Payroll & Related Expenses	0.3	0.6	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.6	0.7
Minor Operated Departments											
Sales	$129	$186	$256	$470	$310	$123	$221	$141	$926	$233	$194
Cost of Sales	82	129	132	70	129	114	179	83	110	59	103
Payroll & Related Expense	88	116	160	230	174	114	139	107	474	532	139
Other Expenses	46	27	22	36	16	4	41	23	84	75	24
Total Costs & Expenses	104	152	245	310	239	126	183	198	855	497	169
Net Departmental Income	22	25	34	62	40	21	34	19	41	40	29
Ratio to Total Sales											
Sales	0.9%	0.9%	0.9%	1.4%	1.3%	0.5%	1.2%	0.9%	2.6%	1.3%	0.9%
Cost of Sales	0.6	0.5	0.5	0.2	0.5	0.5	0.7	0.6	0.5	0.2	0.5
Payroll & Related Expenses	0.6	0.6	0.6	0.7	0.7	0.5	0.6	0.6	1.5	1.2	0.6
Rentals & Other Income											
Space Rentals	$123	$ 60	$127	$297	$ 77	$ 51	$ 49	$ 60	$232	$122	$101
Concessions	47	49	38	46	32	66	24	52	74	72	46
Commissions	13	22	30	46	30	24	23	18	91	119	24
Other	64	69	114	164	65	80	80	82	253	113	84
Total Rentals & Other Income	131	172	287	704	189	207	147	178	541	365	201
Ratio to Total Sales	0.8%	0.9%	1.1%	1.9%	0.9%	0.9%	0.6%	0.9%	1.9%	1.6%	1.0%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

An analysis of the available information on staffing levels per 100 available rooms and per 100 occupied rooms and sales per employee is shown in Exhibit 19. The medians and quartiles were determined for only those properties reporting the number of employees in the various departments. The number of employees is based on full-time equivalents (FTE), the number of hours worked is divided by the standard work hours to obtain the number of full-time equivalent employees in each position.

The rooms department continues to generate the highest median sales per full-time equivalent employee followed by the telephone department. Overall, median figures continued their decline from previous years despite and overall decrease in both employees per 100 available rooms and employees per 100 occupied rooms.

Exhibit 20 shows cash payroll, employee benefits and employment statistics for those properties providing the detail information is provided for each of the size categories, the middle and high occupancy groups, those with low and high restaurant volume and those reporting a net income or net loss.

Total sales per employee increased in all categories above 1985 figures, but due to a corresponding increase in payroll and related expenses, the productivity index (Total Sales divided by Total Payroll and Related Expenses) declined for most categories. The major exception to this was the under 150 rooms category where, due to a 30 percent reduction in the number of employees, the productivity index increased by 10 percent.

Exhibit 19
Staffing Levels and Employee Productivity—All Establishments*

	Number of Employees Per 100 Available Rooms			Number of Employees Per 100 Occupied Rooms		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
1) Staffing Levels (Full-Time Equivalent Employees)						
Rooms	15.8	20.5	26.2	23.0	30.0	38.2
Food & Beverage	18.5	27.7	40.6	28.3	44.0	63.9
Telephone	0.9	1.3	1.8	1.3	1.8	2.6
Minor Operated Departments	0.9	1.7	3.2	1.1	2.5	5.3
Administrative & General	2.1	4.0	6.5	4.3	6.5	9.5
Marketing—Sales	1.2	1.7	2.5	1.8	2.7	3.9
Marketing—Other	0.2	0.6	1.6	0.4	1.1	3.4
Property Operation & Maintenance	2.0	2.6	3.4	3.1	4.1	5.9
Personnel	0.4	0.6	1.0	0.5	0.7	1.2
House Laundry	1.5	2.2	3.2	2.1	3.2	4.4
Other	1.3	1.8	2.6	1.9	2.9	4.3
2) Total Employment—Full-Time Equivalent Employees	38.8	56.0	75.7	58.5	86.1	120.4
3) Employee Productivity—Sales Per Full-Time Employee						
Rooms	$46,744	$59,827	$81,866			
Food & Beverage	20,948	25,056	31,321			
Telephone	31,132	50,452	81,504			
Minor Departments	16,185	28,218	60,962			
4) Total Sales Per Employee	$28,529	$35,906	$43,893			

*Based on those supplying detail. All figures are medians or quartiles and do not necessarily add to totals shown.

Exhibit 20
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics—By Selected Criteria*

	Size			
	Under 150 Rooms	150–299	300–600	Over 600 Rooms
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 3,681	$ 5,021	$ 7,783	$ 8,535
Total Payroll & Related Expenses	3,942	5,792	10,238	11,712
*Employee Benefits— Ratio to Cash Payroll	27.4%	25.0%	33.5%	36.7%
Cost Per Employee				
Cash Payroll	$ 9,051	$ 9,650	$13,520	$ 16,491
Total Payroll & Related Expenses	7,854	11,380	18,632	21,869
Employment Statistics				
Sales Per Employee				
Rooms	$46,461	$60,549	$77,791	$122,360
Food & Beverage	22,801	23,533	30,657	46,320
Telephone	53,820	52,661	54,154	78,345
Minor Departments	27,823	22,086	25,105	59,514
*Total Sales Per Employee	31,663	35,208	41,738	60,699
Productivity Index				
1984	$ 3.48	$ 3.14	$ 2.58	$ 2.71
1983	3.13	3.17	2.72	2.77
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	23.1	17.5	20.0	15.2
Food & Beverage	35.2	24.4	30.6	22.7
Telephone	1.7	1.1	1.2	1.0
Minor Departments	2.8	2.2	1.6	0.8
Administrative & General	4.0	3.2	5.3	3.9
Marketing—Sales	1.9	1.7	1.8	1.3
Marketing—Other	**	1.6	1.1	0.2
Property Operation & Maintenance	2.6	2.6	2.8	3.0
Personnel	0.9	0.6	0.6	0.4
House Laundry	2.8	1.9	2.1	1.5
Total	42.3	52.3	67.7	53.4

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Occupancy		Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales		Those Reporting	
60-69%	Over 80%	50-74%	100% or More	Net Income	Net Loss
$ 6,065	$ 6,862	$ 5,186	$ 8,613	$ 5,910	$ 6,319
7,286	7,074	5,666	11,362	7,029	7,377
32.4%	25.3%	23.2%	30.2%	29.6%	26.9%
$10,834	$12,538	$13,203	$11,730	$11,252	$11,415
14,763	11,572	18,459	13,401	12,509	15,254
$80,046	$63,862	$80,885	$64,415	$60,549	$69,643
29,137	31,428	30,644	30,357	29,047	27,680
73,415	62,578	62,545	56,141	78,899	50,353
34,184	38,974	40,831	36,921	32,845	35,194
41,624	43,719	43,529	34,705	41,635	37,182
$ 2.92	$ 3.42	$ 2.82	$ 2.50	$ 3.15	$ 2.72
3.00	3.44	2.83	2.74	3.24	2.66
18.3	23.0	20.1	18.9	20.7	17.9
29.0	29.3	28.4	41.0	27.6	28.2
1.1	1.3	1.2	1.3	1.0	1.2
1.7	1.5	1.7	2.9	1.6	1.7
4.3	5.5	4.3	5.5	3.7	4.3
1.7	1.4	1.7	1.8	1.5	1.8
0.5	0.1	0.5	0.5	1.6	0.5
2.8	2.9	2.9	2.8	2.8	2.6
0.4	0.6	0.6	0.4	0.4	0.6
1.8	3.0	2.2	2.1	2.2	1.8
58.4	50.5	63.6	75.4	52.3	60.7

Exhibit 21
Payroll and Related Expenses Per Occupied Room Per Day*—By Occupancy

	Occupancy				
	Under 50%	50-59%	60-69%	70-79%	80% & Over
Rooms	$10.46	$ 9.19	$ 9.04	$ 8.46	$ 7.90
Food & Beverage	18.14	15.64	13.47	11.15	10.38
Telephone	0.91	0.80	0.73	0.68	0.73
Minor Operated Departments	1.56	0.61	0.64	0.49	0.37
Administrative & General	5.99	4.63	4.04	3.79	3.81
Marketing	2.95	2.19	2.25	1.81	1.16
Property Operation & Maintenance	3.34	2.33	2.35	1.72	1.56
House Laundry	1.56	1.04	0.94	0.89	0.74
Other	0.82	1.23	0.51	0.98	1.03
Total	$41.31	$32.84	$31.11	$26.39	$23.18

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.

Exhibit 22
Analysis of Undistributed Operating Expenses—By Selected Criteria*

	Age				Size			
	Built Pre-1960	1960-1969	1970-1979	Post 1980	Under 150 Rooms	150-299	300-600	Over 600 Rooms
Administrative & General								
Cost Per Room								
Payroll & Related Expenses	$1,215	$ 619	$ 803	$1,202	$ 822	$ 808	$1,346	$1,222
Other	301	969	978	1,187	745	962	1,167	1,089
Total	984	1,688	1,804	2,463	1,506	1,891	2,484	2,336
Ratio to Room Sales	18.2%	14.1%	14.4%	16.9%	15.1%	15.6%	17.3%	14.1%
Ratio to Total Sales	11.4	9.0	9.2	9.9	9.3	9.7	9.5	8.1
Marketing								
Cost Per Room								
Payroll & Related Expenses	$ 457	$ 287	$ 336	$ 550	$ 283	$ 380	$ 536	$ 508
Other	1,037	768	895	1,242	629	805	1,135	1,124
Total	1,341	1,015	1,085	1,729	695	1,111	1,742	1,610
Ratio to Room Sales	7.8%	9.3%	7.7%	12.0%	7.0%	9.3%	10.4%	7.7%
Ratio to Total Sales	5.1	6.5	5.4	7.0	5.0	6.1	6.2	4.9
Energy Costs								
Cost Per Room	$1,094	$ 990	$1,032	$1,074	$ 912	$1,088	$1,347	$1,521
Ratio to Room Sales	8.8%	9.2%	7.9%	7.3%	8.4%	9.3%	8.9%	8.4%
Ratio to Total Sales	5.5	6.2	5.1	5.0	6.0	5.9	5.2	5.0
Property Operation & Maintenance								
Cost Per Room								
Payroll	$ 590	$ 328	$ 460	$ 492	$ 383	$ 423	$ 752	$ 988
Other	607	522	570	512	489	563	757	888
Total	1,386	877	979	876	822	995	1,537	1,886
Ratio to Room Sales	10.4%	8.5%	7.7%	6.5%	7.7%	8.1%	10.3%	9.3%
Ratio to Total Sales	6.2	5.4	4.8	4.2	5.4	5.2	6.2	5.5

*All figures are medians.

Exhibit 21 presents the relationship of departmental payroll and related expenses per occupied room per day to the occupancy level. In analyzing this exhibit, it is apparent that at higher occupancy levels, hotels are able to control employee productivity effectively, thereby reducing costs.

Undistributed operating expenses

Displayed in Exhibit 22 are undistributed operating expenses analyzed by amounts per room, ratios to room sales and ratios to total sales. For nearly all categories, Administrative and General expenses were the highest, while property operation and maintenance comprised the least amount of costs.

Management fees, one of the most significant costs of administrative and general expenses, are detailed in Exhibit 23. Results for 1983 are included for comparison. These fees rose significantly, both as an amount per room and as a ratio to total sales, indicating the increased tendency for hotel owners to contract out management of the property to an outside organization.

Exhibit 24 presents a full detail of how the marketing dollar was spent. Detail is shown for all hotels, by location and for those mainly used for conventions.

Highlighted in Exhibit 25 are energy costs per occupied room for all establishments and by location. Energy costs for all hotels surveyed increased 4.1 percent from 1983. Rather large increases in these costs were reported by airport, suburban and resort properties.

Allocation of property operation and maintenance costs by age of facility and for all facilities is presented in Exhibit 26. Payroll and related expenses comprised nearly half of all costs in this department with electrical and mechanical equipment registering the next largest expense.

For all categories broken out in Exhibit 27, credit cards were the most preferred method of payment followed by cash. Additional information on credit card information is shown in Exhibit 28, which analyzes the annual cost per occupied room for commissions. For most categories the ratio to total sales figures increased slightly in 1984 from 1983.

Occupancy					Restaurant Not Operated	Restaurant Operated Food and Beverage Sales Ratio to Room Sales			
Under 50%	50-59%	60-69%	70-79%	80% & Over		Under 50%	50-74%	75-99%	100% & Over
$ 974	$ 938	$ 998	$1,029	$1,162	$496	$ 845	$1,054	$1,386	$1,357
855	909	1,032	1,136	934	462	884	1,094	1,147	1,215
1,812	1,911	2,023	2,151	1,978	741	1,806	2,176	2,494	2,441
22.7%	17.4%	16.3%	13.8%	11.2%	9.9%	12.5%	16.6%	18.8%	22.8%
12.1	10.2	9.9	9.0	7.6	9.1	9.3	9.6	9.0	9.2
$ 445	$ 431	$ 461	$ 454	$ 339	$142	$ 342	$ 473	$ 534	$ 609
782	772	833	959	902	463	778	899	1,252	1,314
1,227	1,200	1,229	1,277	1,233	463	1,064	1,383	1,813	1,981
13.8%	12.7%	9.8%	8.2%	6.4%	5.2%	7.6%	9.9%	13.5%	15.0%
7.2	7.2	6.2	5.2	4.1	4.8	5.6	5.9	6.6	6.4
$1,142	$1,228	$1,140	$1,120	$1,154	$648	$1,078	$1,243	$1,472	$1,599
14.9%	12.0%	8.8%	7.8%	6.7%	6.3%	8.2%	9.0%	10.7%	14.2%
7.6	7.0	5.5	4.9	4.7	6.0	5.7	5.3	5.1	5.7
$ 517	$ 485	$ 551	$ 468	$ 480	$330	$ 436	$ 557	$ 711	$ 678
566	555	613	623	801	422	534	704	796	796
1,138	1,089	1,142	1,104	1,195	649	1,040	1,177	1,515	1,495
13.4%	10.5%	8.8%	7.6%	7.0%	6.7%	7.9%	9.5%	11.1%	14.0%
6.7	6.0	5.7	5.0	4.8	6.2	5.5	5.5	5.6	5.6

Exhibit 23
Management Fees—All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Room			
1984	$525	$734	$1,052
1983	$416	$599	$ 873
Ratio to Total Sales			
1984	2.9%	3.5%	4.4%
1983	2.9%	3.3%	4.0%

Exhibit 24
How the Marketing Dollar Was Spent*

	Mean, All Establishments	Location					Market
		Center City	Airport	Suburban	Highway	Resort	Convention
Payroll & Related Expenses							
Sales	24.8%	26.4%	22.8%	18.6%	23.8%	19.2%	30.1%
Other	0.5	0.4	0.9	0.2	0.3	0.2	1.5
Sales							
Travel & Entertainment	4.9	6.6	6.2	3.6	5.8	3.2	7.6
Other	3.6	4.0	4.1	2.8	4.1	2.8	5.1
Advertising							
Print	20.5	24.1	30.6	19.7	14.8	16.3	23.4
Radio & TV	2.5	2.8	3.0	2.8	3.1	3.5	1.8
Outdoor	7.0	2.5	3.0	4.3	9.4	9.9	0.9
Other	7.4	3.9	4.3	5.6	6.6	3.5	10.5
Merchandising	4.4	2.9	5.8	3.2	4.4	4.1	1.6
Public Relations & Publicity	3.1	3.6	2.9	4.1	2.4	4.2	1.6
Fees & Commissions							
Franchise Fees	8.8	9.1	3.5	20.1	13.4	16.8	0.4
Other	3.0	4.2	1.1	6.5	0.8	3.5	0.9
All Other Selling & Promotion Expenses	9.5	9.5	11.8	7.9	11.1	12.8	14.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those supplying detail

Exhibit 25
Energy Costs Per Occupied Room Per Day*—By Location

	Mean, All Establishments	Location				
		Center City	Airport	Suburban	Highway	Resort
Fuel	$1.20	$1.15	$0.99	$1.21	$0.91	$1.44
Electricity	3.63	3.60	3.18	3.44	2.95	4.98
Water	0.53	0.48	0.38	0.56	0.49	0.68
Steam	1.69	2.15	0.53	0.23	0.20	0.26
Subtotal	$7.05	$7.38	$5.08	$5.44	$4.55	$7.36
Credit For Sale of Energy	0.50	0.38	0.25	0.17	0.01	0.12
Net Cost						
1984	$6.65	$7.00	$4.38	$5.27	$4.54	$7.24
1983	$6.45	$6.89	$3.68	$4.29	$4.30	$6.03
Increase (Decrease)	3.1%	1.6%	31.3%	22.8%	5.6%	20.1%

*Based on arithmetic mean.

Exhibit 26
How the Property Operation and Maintenance Dollar Was Spent—By Age*

	Mean, All Establishments	Age			
		Built Pre-1960	1960-1969	1970-1979	Post 1980
Payroll & Related Expenses	45.9%	48.7%	45.3%	44.2%	45.4%
Building	5.3	8.7	9.5	6.0	8.1
Electrical & Mechanical Equipment	11.7	10.8	13.9	11.0	9.8
Furniture	2.5	2.0	0.4	2.9	2.5
Grounds & Landscaping	10.2	1.4	9.4	2.5	3.3
Operating Supplies	5.0	3.6	2.6	4.2	4.7
Painting & Decorating	2.5	4.6	3.7	3.5	2.5
Removal of Waste Matter	4.9	2.9	1.9	4.2	4.4
All Other Expenses	12.0	16.0	13.3	21.4	19.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit 27
Method of Payment For Services*

	Method of Payment			
	Cash	Credit Card	Travel Agent & Tour Operator	All Other Credit
Location				
Center City	27.2%	47.6%	6.4%	18.8%
Airport	29.3	51.1	4.4	15.2
Suburban	29.5	51.6	5.6	13.3
Highway	32.0	51.0	5.8	11.2
Resort	44.0	38.0	8.7	9.3
Size				
Under 150 Rooms	42.1%	42.1%	5.6%	10.2%
150-299	31.8	49.8	5.2	13.2
300-600	19.7	51.1	7.4	21.8
Over 600 Rooms	20.7	49.9	8.9	20.5
Rate				
Less than $40.00	39.9%	43.0%	7.0%	10.1%
$40.00-$54.99	34.5	47.9	5.8	11.8
$55.00-$69.99	23.2	49.3	5.3	22.2
Over $70.00	18.8	54.4	5.6	21.2
Restaurant Not Operated	48.0%	37.0%	6.6%	8.4%
Restaurant Operated— Food & Beverage Sales Ratio to Room Sales				
Under 50%	31.2%	50.8%	5.7%	12.3%
50-74%	25.8	50.3	6.5	17.4
75-99%	30.9	43.9	8.0	17.2
100% & Over	35.6	45.5	3.1	15.8
Mean, All Establishments	31.1%	48.1%	6.0%	14.8%

*Based on arithmetic mean.

Exhibit 28

Credit Card Commissions — Annual Cost Per Occupied Room*

	Annual Cost Per Occupied Room		Ratio to Total Sales	
	1984	1983	1984	1983
Location				
Center City	$199	$164	0.6%	0.5%
Airport	273	77	0.9	0.8
Suburban	150	99	0.6	0.4
Highway	119	201	0.5	0.4
Resort	416	442	0.8	1.2
Size				
Under 150 Rooms	$ 67	$ 62	0.3%	0.3%
150-299	157	128	0.5	0.5
300-600	318	270	0.9	0.8
Over 600	386	314	0.8	0.7
Rate				
Less than $40.00	$ 54	$204	0.3%	N/A
$40.00-$54.99	146	381	0.5	N/A
$55.00-$69.99	249	548	0.6	N/A
Over $70.00	567	808	1.0	N/A
Occupancy				
Under 50%	$177	$128	0.5%	0.4%
50-59	130	150	0.4	0.5
60-69	183	139	0.6	0.5
70-79	195	146	0.6	0.5
80% & Over	169	197	0.6	0.7
Restaurant Not Operated	47	40	0.2	0.3
Restaurant Operated — Food & Beverage Sales Ratio to Room Sales				
Under 50%	$144	$136	0.6%	0.6%
50-74%	166	150	0.6	0.5
75-99%	260	209	0.5	0.5
100% & Over	179	157	0.4	0.4
Median, All Establishments	175	146	0.5	0.5

*All figures are medians.
N/A — Not available.

Exhibit 29
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

		Age				Size			
	Median, All Establishments	Built Pre-1960	1960-1969	1970-1979	Post 1980	Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms
Amount Per Room									
Rent	$ 307	$ 984	$ 243	$ 335	$ 264	$ 507	$ 230	$ 366	$ 476
Property Taxes	495	544	423	401	630	321	486	709	899
Insurance on Buildings & Contents	82	144	87	102	88	82	85	86	47
Interest Expense	1,798	1,126	573	1,314	4,133	1,064	1,813	3,767	1,012
Depreciation & Amortization	1,569	1,873	1,359	1,438	3,774	1,013	1,569	2,192	2,096
Total Fixed Charges	$3,729	$3,049	$2,892	$3,571	$8,532	$2,809	$3,579	$6,459	$4,584
Ratio to Total Sales	21.2%	20.9%	19.4%	21.3%	38.5%	20.8%	21.0%	23.1%	16.4%

*Based on those supplying detail. All figures are medians.

Fixed charges

Exhibit 29 displays fixed charges per available room as well as ratios to total sales for all properties providing detail, analyzed by pertinent criteria affecting a hotel's nonvariable costs. Total fixed charges experienced a slight increase with some categories increasing while others decreased. Ratios to total sales, however, increased for nearly all categories presented.

Balance sheet statistics

Liquidity ratios, which measure the ability of a company to meet current obligations, are presented in Exhibit 30. The positions of establishments reporting indicate a large increase in the ratio during 1984. In accounts receivable, both amount per room and ratio to total sales increased slightly.

Special analysis

Presented in Exhibits 31 through 36 are amounts per room and ratios to total sales of income before fixed charges and income before income tax by a variety of categories. These cross-tabulations can be used to isolate variances in hotel performance that may occur when two indices are analyzed together. The categories used are affiliation versus profitability.

Exhibit 30
Balance Sheet Statistics
Liquidity Ratios—All Establishments*

	1984	1983
Current Position	$ 4.28	$ 82
Accounts Receivable		
Amount Per Room	$1,038	$910
Ratio to Total Sales	4.4%	4.2%
Food Inventory—End of Year		
Amount Per Room	$ 81	$ 82
Annual Turnover	29.5	28.9
Beverage Inventory—End of Year		
Amount Per Room	$ 76	$ 84
Annual Turnover	6.1	6.8

*Based on those supplying detail. All figures are medians.

Exhibit 31
Cross Tabulation of Income Before Fixed Charges by Affiliation and Profitability
Amount Per Room and Ratio to Total Sales*

Amount Per Room / Ratio to Total Sales		Profit/Loss		
		Net Income	Net Loss	Total
Affiliation	Chain	$5,980	$2,999	$4,673
		31.2%	19.1%	21.9%
	Independent	$7,625	$3,334	$5,209
		25.0%	16.9%	26.7%
	Total	$6,099	$2,245	$5,014
		27.9%	17.4%	24.5%

*All amounts are medians.

Region					Location				
North-East	South-East	North Central	South Central	West	Center City	Airport	Suburban	Highway	Resort
$ 233	$ 320	$ 383	$ 264	$ 340	$ 400	$ 312	$ 235	$ 256	$ 694
814	568	486	365	422	512	423	550	406	502
93	84	83	102	74	109	59	81	69	95
1,409	2,250	1,831	1,834	1,326	2,911	1,643	1,673	1,402	2,047
1,441	1,635	1,668	1,451	1,441	2,000	1,599	1,810	1,625	1,759
$3,379	$4,731	$3,622	$3,446	$3,709	$6,045	$3,873	$3,791	$3,544	$3,970
17.2%	23.9%	23.2%	27.3%	20.0%	23.9%	20.9%	24.2%	25.9%	18.8%

Exhibit 52
Cross Tabulation of Income Before Income Tax
By Affiliation and Profitability
Amount Per Seat and Ratio to Total Sales*

Amount Per Room / Ratio to Total Sales		Profit/Loss		
		Net Income	Net Loss	Total
Affiliation	Chain	$2,494	$(3,149)	$158
		13.9%	(19.0)%	1.0%
	Independent	$2,908	$(2,074)	$669
		11.3%	(13.2)%	3.0%
	Total	$2,961	$(2,790)	$505
		12.1%	(14.9)%	2.6%

*All amounts are medians

size versus region, and from rate versus occupancy rate.

To use the cross-tabulations, locate both parameters of interest on the table and find the intersection. The upper portion of each box gives the amount per room, while the lower portion indicates the percentage of total sales. Totals for each category analyzed are also presented for comparison. The totals column represents to total sample for the report.

Summary

Median amounts per available room and ratios to total sales for the various groups are shown in the exhibits on pages 76-86. The information contained in these exhibits can be useful in identifying the operating results of types of properties that more closely reflect the characteristics of a specific property.

The United States lodging industry experienced its second consecutive year of mixed results. The first half of the year was characterized by increases in most of the traditional industry performance measurements, while a turnaround occurred in the second half of the year, as evidenced by the leveling off and even slight decline in occupancies. For most industry segments, the strong performance in the first half of the year offset the disappointments experienced later in the year.

Surprisingly, as occupancies began to decline toward the end of 1984, rates continued to climb at a rapid pace. This

aggressive pricing policy instituted by some major players in the industry, in conjunction with significant additions to the available supply of rooms, combined to suppress gains in occupancy and profits.

Historically, occupancy changes have followed the direction of the leading economic indicators, lagging by about three to six months. However, this scenario was not followed in the second half of 1984. While these indicators were pointing to the general economic slowdown during the period, occupancies were still on the rise. Therefore, expectations were for a continuous rise in occupancy levels, but at a slower rate. This did not happen, indicating that the current pricing policy adopted by the industry has heightened traveller sensitivity to the cost of a hotel stay. In addition, today's dynamic lodging environment may provide industry decision makers with the ability to react to economic trends more quickly than in the past.

Structurally, the lodging industry is now in the midst of a very active period.

Exhibit 33
Cross Tabulation of Income Before Fixed Charges
By Size and Region
Amount per Room and Ratio to Total Sales*

Amount Per Room / Ratio to Total Sales		Region					
		Northeast	Southeast	North Central	South Central	West	Total
Size	Less than 150 Rooms	$ 4,393	$4,829	$2,881	$5,462	$ 4,172	$4,530
		21.4%	29.4%	23.2%	49.5%	29.1%	29.5%
	150-299 Rooms	$ 7,306	$4,088	$4,129	$3,325	$ 5,601	$4,530
		26.6%	23.6%	23.2%	23.8%	28.1%	25.2%
	300-600 Rooms	$ 8,833	$2,902	$6,632	$3,248	$ 4,215	$4,917
		23.9%	14.7%	30.8%	12.9%	17.3%	18.2%
	Over 600 Rooms	$12,129	$7,261	$6,365	$2,666	$11,721	$7,261
		23.9%	28.5%	23.9%	12.8%	29.4%	24.8%
	Total	$ 7,207	$4,824	$4,599	$4,059	$ 5,326	$5,014
		25.2%	22.6%	24.0%	24.3%	25.4%	24.5%

*All amounts are medians.

Exhibit 34
Cross Tabulation of Income Before Income Tax
By Size and Region
Amount Per Room and Ratio to Total Sales*

Amount Per Room / Ratio to Total Sales		Region					
		Northeast	Southeast	North Central	South Central	West	Total
Size	Less than 150 Rooms	$1,222	$1,566	$ (12)	$2,704	$ 278	$1,092
		6.9%	(0.8%)	(0.3%)	18.4%	1.9%	7.6%
	150-299 Rooms	$3,726	$ (118)	$ 106	$(338)	$285	$ 312
		11.9%	(7.0%)	(2.6%)	(8.2%)	1.8%	2.4%
	300-600 Rooms	$ 892	$(1,299)	$1,307	$(3,154)	$ 187	$ (73)
		1.8%	(13.4%)	(2.9%)	(31.3%)	0.9%	(0.37%)
	Over 600 Rooms	$ 923	$1,938	$2,484	$(3,416)	$3,373	$1,901
		3.1%	5.5%	10.2%	(15.5%)	12.0%	5.1%
	Total	$ 931	$(124)	$ 219	$(466)	$ 910	$ 505
		7.2%	(0.9%)	1.3%	2.6%	3.0%	2.0%

*All amounts are medians.

Most of the large chains are involved with large scale diversification plans to reach segments that did not traditionally fall into their realm. In addition, the increased popularity of Bed & Breakfast properties as well as the development and growth of new types of properties such as all-suite hotels, make this period particularly interesting.

The outlook for the industry remains bright as long as the U.S. economy remains strong. With a positive economic environment, both the business and personal traveler should continue to travel despite the rising rooms rates. This type of environment should exist during 1985, and room rates should continue their climb. Occupancy rates, however, probably will drop slightly in 1985 because of an increased price sensitivity and a significant number of additions to the supply of available rooms.

	1983	1984	Percent Change
Total Industry Revenue (in billions)	$29.7	$33.4	12.5%
Occupancy Rate	65.2%	67.5%	3.5
Average Room Rates	$51.90	$54.50	5.0

Exhibit 35
Cross Tabulation of Income Before Fixed Charges
by Room Rate and Occupancy
Amount Per Room and Ratio to Total Sales*

Average Rate — Amount Per Room / Ratio to Total Sales	Occupancy: Under 50%	50-59%	60-69%	70-79%	80% & Over	Total
Less than $40.00	$ 566	$1,979	$3,071	$ 4,238	$ 5,890	$3,057
	12.5%	18.7%	25.2%	30.8%	49.2%	25.3%
$40.00-$54.99	$ 868	$2,877	$4,203	$ 5,547	$ 6,951	$4,315
	5.8%	17.7%	23.1%	29.4%	31.6%	25.0%
$55.00-$69.99	$ 91	$1,608	$6,026	$ 7,789	$10,093	$6,026
	0.3%	8.0%	22.4%	30.6%	38.3%	22.5%
Over $70.00	$4,611	$6,029	$7,479	$11,310	$12,964	$8,843
	14.4%	17.2%	22.5%	29.5%	29.7%	23.9%
Total	$ 646	$2,624	$4,467	$ 6,774	$ 8,073	$5,014
	6.2%	16.8%	23.5%	29.7%	34.4%	24.5%

*All amounts are medians.

Exhibit 36
Cross Tabulation of Income Before Income Tax
By Room Rate and Occupancy
Amount Per Room and Ratio to Total Sales*

Average Rate — Amount Per Room / Ratio to Total Sales	Occupancy: Under 50%	50-59%	60-69%	70-79%	80% & Over	Total
Less than $40.00	(660)	(526)	491	911	3,486	504
	(14.6)	(13.3)	3.1	6.7	29.8	3.6
$40.00-$54.99	(2,585)	(1,594)	123	646	2,538	(36)
	(27.9)	(14.9)	0.9	3.8	8.1	(0.2)
$55.00-$69.99	(5,025)	(126)	582	1,415	5,341	679
	(28.8)	(1.7)	2.1	5.0	16.3	2.3
Over $70.00	527	134	923	1,334	3,907	1,484
	0.5	(0.4)	1.6	3.0	9.2	3.6
Total	(2,664)	(1,302)	670	1,642	3,137	505
	(19.4)	(9.9)	2.9	6.2	14.5	2.6

*All amounts are medians.

U.S. Lodging Industry—1984
Statement of Income and Expenses —Median Amounts Per Available Room*

Rooms	Age of Property: Built Pre-1960	Built 1960-1969	Built 1970-1979	Built Post 1980
Sales	$8,324	$10,296	$11,018	$11,983
Departmental Expenses				
Payroll & Related Expenses	1,747	1,871	1,767	1,571
Other	724	793	673	725
Total	2,354	2,564	2,436	2,368
Departmental Income	5,662	7,439	8,369	9,619
Food & Beverage				
Sales				
Food	6,129	3,552	3,938	6,090
Beverage	2,409	2,079	2,252	2,914
Total	8,496	5,993	5,874	9,120
Cost of Sales				
Food	2,140	1,390	1,366	2,144
Beverage	639	489	522	636
Total	2,803	1,904	1,952	2,901
Gross Profit	5,811	4,228	4,026	6,142
Public Room Sales	145	135	166	212
Other Income	213	32	43	131
Gross Profit & Other Income	6,319	4,228	4,188	6,544
Departmental Expenses				
Payroll & Related Expenses	4,127	2,093	2,416	3,912
Other	1,407	1,063	861	1,048
Total	5,623	3,242	3,177	4,934
Departmental Income	483	1,088	920	1,423
Telephone Departmental Income	(118)	(17)	(20)	(1)
Net Income From Minor Operated Departments	40	74	30	34
Rentals & Other Income	397	111	132	126
Gross Income	9,003	9,441	10,398	11,182
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,215	619	803	1,202
Other	984	969	978	1,187
Total	2,253	1,688	1,804	2,463
Marketing	1,341	1,015	1,085	1,729
Energy Costs	1,094	990	1,032	1,074
Property Operation & Maintenance	1,386	877	979	876
Total Undistributed Expenses	6,241	4,516	4,649	6,410
Income Before Management Fees	3,274	4,862	6,148	5,536
Management Fees	643	575	566	727
Income Before Fixed Charges	$3,120	$4,839	$5,585	$5,430

*All amounts are medians and do not necessarily add to the totals shown.

Size of Property				Average Rate			
Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Less than $40.00	$40.00-$54.99	$55.00-$69.99	Over $70.00
$10,172	$11,597	$14,245	$17,612	$8,324	$11,741	$15,559	$21,116
1,598	1,863	2,614	3,411	1,478	1,862	2,456	3,700
638	897	1,286	1,667	592	894	1,249	1,824
2,304	2,736	3,912	5,038	2,031	2,840	3,665	5,613
7,685	8,736	10,754	13,887	5,975	8,852	11,715	15,764
3,870	3,821	7,033	7,566	2,625	4,331	6,129	8,702
2,158	2,046	2,506	2,959	1,083	1,932	2,517	3,357
5,606	5,868	9,651	10,208	3,797	5,899	8,717	11,947
1,332	1,413	2,318	2,362	999	1,506	2,148	2,727
560	478	532	568	293	453	530	678
1,881	1,886	2,910	2,914	1,270	1,925	2,684	3,415
3,841	3,955	6,685	7,453	2,563	4,091	6,162	8,442
136	179	225	142	117	195	234	177
30	32	103	159	5	40	99	379
3,977	4,170	7,431	7,590	2,590	4,388	6,670	8,987
1,987	2,332	4,474	4,655	1,549	2,498	3,975	5,738
796	803	1,089	1,305	440	851	1,038	1,467
2,902	3,248	5,512	6,314	2,046	3,460	4,994	7,302
833	959	1,413	1,661	610	957	1,546	1,676
(3)	(3)	(83)	(122)	(26)	(3)	(48)	(51)
22	25	34	62	9	24	32	49
131	172	287	704	102	173	265	561
6,778	10,490	12,837	16,913	6,970	10,012	13,192	18,783
822	808	1,346	1,222	590	856	1,162	1,568
745	962	1,167	1,089	578	898	1,168	1,634
1,506	1,891	2,484	2,336	1,181	1,842	2,272	3,157
695	1,111	1,742	1,610	617	1,036	1,559	2,044
912	1,088	1,347	1,521	841	1,073	1,368	1,521
822	995	1,537	1,886	721	977	1,386	1,940
4,089	5,142	7,105	7,577	3,404	5,121	6,819	9,084
4,981	5,121	5,895	7,967	3,312	4,883	6,523	9,755
574	651	877	826	470	694	761	1,235
$4,530	$4,530	$4,917	$7,261	$3,057	$4,315	$6,026	$8,844

U.S. Lodging Industry—1984
Ratios to Total Sales*

	Age of Property			
Rooms	Built Pre-1960	Built 1960-1969	Built 1970-1979	Built Post 1980
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	21.0	17.8	16.2	15.0
Other	8.5	8.0	6.7	7.5
Total	30.7	25.3	23.8	22.5
Departmental Income	69.3	74.7	76.3	77.5
Ratio to Total Sales	41.0	48.0	50.8	45.7
Food & Beverage				
Sales				
Food	72.2	74.0	72.1	69.8
Beverage	27.9	26.7	28.5	30.2
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	33.1	38.6	36.0	36.1
Beverage	23.0	24.6	23.9	22.9
Total	31.1	33.8	32.0	32.0
Gross Profit	68.9	66.2	68.0	68.0
Public Room Sales	1.8	2.3	3.1	2.9
Other Income	2.4	0.4	0.7	1.6
Gross Profit & Other Income	77.3	68.1	70.8	71.9
Departmental Expenses				
Payroll & Related Expenses	45.3	38.9	41.3	42.4
Other	12.2	12.3	12.4	12.9
Total	57.4	50.3	54.1	56.5
Departmental Income	11.7	17.2	17.1	15.5
Ratio to Total Sales	4.4	5.0	4.7	4.9
Telephone Departmental Income	(0.3)	(0.1)	(0.1)	N
Net Income From Minor Operated Departments	0.2	0.3	0.1	0.1
Rentals & Other Income	1.6	0.7	0.6	0.6
Gross Income	47.0	55.9	57.9	55.7
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.3	3.6	4.5	5.1
Other	4.9	4.9	4.8	5.2
Total	11.4	9.0	9.2	9.9
Marketing	5.1	6.5	5.4	7.0
Energy Costs	5.5	6.2	5.1	5.0
Property Operation & Maintenance	6.2	5.4	4.8	4.2
Total Undistributed Expenses	26.2	26.7	25.0	27.7
Income Before Management Fees	20.3	29.0	32.4	30.3
Management Fees	3.8	3.6	3.8	4.2
Income Before Fixed Charges	16.3%	25.8%	29.4%	28.0%

*All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of corresponding sales. Food and beverage department expense ratios are based on the combined food and beverage sales.

Size of Property				Average Rate			
Under 150 Rooms	150-299 Rooms	300-600 Rooms	Over 600 Rooms	Less than $40.00	$40.00-$54.99	$55.00-$69.99	Over $70.00
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
17.0	17.0	18.6	18.1	18.1	16.8	17.3	17.6
6.6	8.0	9.5	9.1	7.5	8.0	8.6	8.9
24.0	25.3	28.1	26.6	25.9	24.9	26.1	26.2
76.0	74.7	72.3	73.4	74.3	75.1	73.9	73.8
53.5	47.5	41.0	43.4	50.1	46.3	41.4	43.4
72.6	70.9	72.5	73.5	71.1	72.0	71.4	72.9
30.0	29.4	27.5	26.5	30.0	28.7	28.7	27.1
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
36.8	36.0	34.5	31.8	37.2	36.1	33.3	30.5
25.5	23.4	21.3	20.1	24.7	23.0	21.6	20.9
34.0	32.0	30.0	27.5	33.3	32.1	31.0	29.2
66.2	68.0	70.2	72.6	66.7	68.0	69.0	70.8
2.5	3.6	2.7	1.4	3.3	3.5	3.1	1.9
0.6	0.6	1.0	1.3	0.2	0.6	1.0	1.3
68.4	71.3	74.3	75.0	69.2	71.4	73.6	74.5
40.2	40.4	45.8	46.0	38.4	41.8	44.0	45.9
11.8	12.8	11.9	11.8	11.9	12.5	12.5	12.3
51.5	54.2	57.9	59.8	52.1	54.6	57.3	59.5
15.8	17.6	16.3	17.0	17.3	17.4	17.1	15.6
4.2	5.3	6.0	5.3	5.3	5.1	5.9	4.7
N	N	(0.3)	(0.4)	(0.3)	N	(0.2)	(0.2)
0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.2
0.8	0.9	1.1	1.9	0.9	0.9	1.1	1.5
59.4	54.4	48.6	52.4	55.9	54.8	50.2	52.1
5.3	4.5	4.8	4.1	5.1	4.6	4.7	4.3
5.2	5.0	4.5	3.7	4.9	4.7	4.7	4.1
9.3	9.7	9.5	8.1	9.7	9.8	9.6	8.5
5.0	6.1	6.2	4.9	5.7	5.8	6.3	5.3
6.0	5.9	5.2	5.0	6.9	6.0	5.7	4.4
5.4	5.2	6.2	5.5	5.9	5.3	5.8	5.4
27.1	26.9	26.8	25.2	28.6	27.8	27.1	24.3
32.5	27.8	21.3	27.5	26.4	27.5	25.1	28.0
4.8	3.6	3.1	3.0	4.2	3.9	3.0	3.3
29.5%	25.2%	18.2%	24.8%	25.3%	25.0%	22.5%	23.9%

U.S. Lodging Industry—1984

Statement of Income and Expenses —Median Amounts Per Available Room*

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	$6,741	$9,404	$12,204	$13,283	$14,967
Departmental Expenses					
Payroll & Related Expenses	1,434	1,743	1,998	2,213	2,091
Other	725	823	983	1,044	975
Total	2,211	2,547	2,998	3,198	3,063
Departmental Income	4,750	6,756	9,312	10,750	11,447
Food & Beverage					
Sales					
Food	5,069	4,458	4,968	5,118	5,350
Beverage	1,957	2,040	2,353	2,530	2,380
Total	6,868	6,860	7,438	7,825	7,328
Cost of Sales					
Food	1,760	1,682	1,702	1,834	1,811
Beverage	426	509	517	551	500
Total	2,330	2,120	2,212	2,406	2,301
Gross Profit	4,827	4,461	5,061	5,198	4,837
Public Room Sales	97	146	173	255	252
Other Income	59	51	56	124	57
Gross Profit & Other Income	4,827	4,927	5,274	5,815	5,221
Departmental Expenses					
Payroll & Related Expenses	2,822	3,079	3,170	3,120	3,158
Other	799	992	925	1,013	1,018
Total	3,790	3,961	3,991	4,023	4,043
Departmental Income	494	785	1,035	1,642	1,247
Telephone Departmental Income	(87)	(46)	(22)	5	(3)
Net Income From Minor Operated Departments	32	33	22	29	43
Rentals & Other Income	189	181	228	209	194
Gross Income	6,189	7,919	11,027	12,885	14,204
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	974	938	998	1,029	1,162
Other	856	909	1,032	1,136	934
Total	1,812	1,911	2,023	2,151	1,978
Marketing	1,227	1,200	1,229	1,277	1,233
Energy Costs	1,142	1,228	1,140	1,120	1,158
Property Operation & Maintenance	1,138	1,089	613	1,104	1,195
Total Undistributed Expenses	5,661	5,516	5,755	5,902	5,745
Income Before Management Fees	886	3,039	4,981	7,207	8,667
Management Fees	514	684	740	790	997
Income Before Fixed Charges	$ 646	$2,624	$4,467	$6,774	$8,073

*All amounts are medians and do not necessarily add to the totals shown.

Total Sales					Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $2,500,000	$2,500,000 $4,999,999	$5,000,000 $9,999,999	$10,000,000 & Over	Restaurant Not Operated	Under 50%	50-74%	75-99%	100% & Over
$10,044	$15,076	$16,125	$19,941	$9,788	$12,169	$11,603	$12,786	$11,902
1,632	2,279	2,879	3,582	1,578	2,012	2,147	2,542	2,263
708	1,190	1,447	1,791	552	946	1,065	1,321	963
2,388	3,533	4,315	5,472	2,094	3,022	3,229	3,970	3,292
7,388	10,985	12,113	14,845	7,440	9,207	9,072	9,312	8,152
3,321	5,791	8,058	8,507	—	3,101	5,688	7,685	9,789
1,626	2,473	2,966	3,232	—	1,220	2,534	3,093	993
4,854	7,953	11,280	12,050	—	4,158	8,119	10,945	13,751
				—	1,074	2,005	2,618	3,647
				—	287	582	673	854
1,654	2,524	3,304	3,375	—	1,356	2,546	3,290	4,289
3,276	5,598	8,092	8,943	—	2,713	5,673	7,572	9,721
145	246	238	209	—	162	185	317	211
21	77	134	207	—	32	86	183	64
3,491	5,927	8,599	9,112	—	2,945	5,908	8,155	9,802
1,920	3,543	5,253	5,133	—	1,948	3,201	4,731	5,114
609	1,005	1,325	1,416	—	504	1,065	1,479	1,337
2,625	4,582	6,598	7,201	—	2,500	4,240	6,056	6,793
690	1,409	1,967	2,557	—	402	1,493	2,039	2,715
(16)	(32)	(63)	(122)	5	2	(55)	(65)	(111)
16	32	56	74	38	29	29	57	57
128	214	369	839	44	174	241	253	288
8,216	12,890	15,982	19,260	8,254	11,155	11,555	10,876	11,681
731	1,149	1,386	1,493	496	845	1,055	1,387	1,358
786	1,148	1,412	1,207	463	884	1,094	1,147	1,215
1,539	2,311	2,841	2,886	741	1,806	2,176	2,495	2,442
817	1,547	1,893	1,667	463	1,064	1,394	1,813	1,982
988	1,274	1,444	1,670	648	1,078	1,243	1,472	1,599
850	1,193	1,792	2,101	649	1,041	1,177	1,515	1,496
4,237	6,365	7,838	8,609	2,787	5,158	6,167	7,359	7,705
4,023	6,486	7,494	12,119	5,008	5,699	5,588	4,997	4,515
547	848	1,097	994	536	699	753	942	987
$3,759	$ 6,032	$ 6,464	$10,670	$4,883	$ 5,389	$ 5,170	$ 4,097	$ 2,856

U.S. Lodging Industry—1984
Ratios to Total Sales

	Occupancy				
Rooms	Under 50%	50-59%	60-69%	70-79%	80% & Over
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	21.6	19.2	17.4	16.2	16.1
Other	9.9	8.7	8.5	7.9	7.5
Total	32.6	27.7	25.7	24.1	24.0
Departmental Income	67.4	72.4	74.3	75.9	76.0
Ratio to Total Sales	35.5	41.1	45.7	48.8	52.0
Food & Beverage					
Sales					
Food	72.7	72.6	72.2	71.0	73.4
Beverage	27.4	27.6	28.1	29.7	27.1
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	36.4	35.7	34.8	34.7	34.3
Beverage	23.5	23.2	22.7	22.1	21.3
Total	32.2	31.7	30.9	30.4	31.1
Gross Profit	67.8	68.4	69.2	69.6	69.0
Public Room Sales	1.9	2.5	3.2	3.2	3.6
Other Income	1.0	0.7	0.8	1.5	0.7
Gross Profit & Other Income	70.1	70.4	72.6	73.5	72.5
Departmental Expenses					
Payroll & Related Expenses	44.8	44.7	43.3	40.2	42.7
Other	12.1	12.3	12.4	12.3	12.8
Total	59.8	57.5	55.3	52.2	55.9
Departmental Income	9.7	14.6	16.5	21.3	17.5
Ratio to Total Sales	3.3	4.3	5.2	6.8	4.2
Telephone Departmental Income	(0.6)	(0.3)	(0.1)	N	N
Net Income From Minor Operated Departments	0.2	0.2	0.1	0.1	0.1
Rentals & Other Income	1.2	1.0	1.2	0.9	0.9
Gross Income	45.1	47.4	53.6	57.1	57.9
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	6.1	4.9	4.7	4.1	4.0
Other	5.9	4.3	4.8	4.5	4.0
Total	12.1	10.2	9.9	9.0	7.6
Marketing	7.2	7.2	6.2	5.2	4.1
Energy Costs	7.6	7.0	5.5	4.9	4.7
Property Operation & Maintenance	6.7	6.0	5.7	5.0	4.8
Total Undistributed Expenses	35.0	29.8	27.9	24.5	22.2
Income Before Management Fees	7.1	19.0	25.9	32.0	35.6
Management Fees	3.4	3.4	3.2	3.6	4.6
Income Before Fixed Charges	6.2%	16.8%	23.5%	29.7%	34.4%

N - Negligible

All amounts are medians and do not necessarily add to the totals shown. All ratios are based on total sales except those of the rooms, and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

Total Sales					Restaurant Operated Total Food & Beverage Sales Ratio to Room Sales			
Under $2,500,000	$2,500,000 $4,999,999	$5,000,000 $9,999,999	$10,000,000 & Over	Restaurant Not Operated	Under 50%	50 - 74%	75 - 99%	100% & Over
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
17.6	16.8	18.0	17.3	16.8	17.0	17.4	18.4	20.5
7.8	8.0	9.1	9.1	5.7	8.2	8.5	9.4	9.3
25.4	25.2	26.6	26.6	22.5	25.1	25.8	27.6	28.2
74.6	74.8	73.6	73.4	77.5	74.9	74.2	72.4	72.0
49.4	45.6	41.0	43.4	73.3	51.9	42.9	34.8	27.7
71.4	71.4	72.9	73.0	—	72.5	70.7	73.8	72.5
29.5	28.7	27.1	27.0	—	28.2	29.3	26.2	27.5
100.0	100.0	100.0	100.0	—	100.0	100.0	100.0	100.0
33.3	30.9	29.3	27.1	—	32.6	30.7	29.7	31.1
66.7	69.1	71.0	72.9	—	67.4	69.3	70.4	68.9
3.1	3.5	2.2	1.7	—	3.8	2.2	2.5	1.7
0.4	1.1	1.1	1.6	—	0.8	1.0	1.0	0.7
69.7	73.3	74.9	76.0	—	71.6	72.6	72.7	69.8
41.2	44.1	44.2	45.1	—	46.6	41.0	40.4	37.5
12.8	12.6	11.5	10.6	—	12.8	12.8	12.4	10.3
54.1	57.2	56.6	54.8	—	60.5	53.6	52.9	49.3
16.4	16.2	19.0	20.0	—	12.4	20.2	20.2	20.0
4.3	5.4	6.9	6.9	—	2.6	7.2	8.4	10.9
(0.1)	(0.1)	(0.2)	(0.3)	N	N	(0.2)	(0.3)	(0.3)
0.1	0.1	0.2	0.2	0.3	0.2	0.1	0.2	0.2
0.8	1.0	0.3	2.2	0.4	1.0	1.1	1.2	1.1
55.1	52.3	49.9	52.8	75.6	57.2	51.1	46.5	42.5
4.8	4.8	4.4	3.8	5.2	4.5	4.7	4.7	4.6
5.0	4.9	4.2	3.2	4.8	4.7	4.6	4.0	4.4
10.1	9.8	9.1	7.5	9.1	9.3	9.6	9.0	9.2
5.9	6.2	6.3	4.4	4.8	5.6	5.9	6.6	6.4
6.6	5.2	4.5	4.5	6.0	5.7	5.3	5.1	5.7
5.8	5.0	5.8	5.5	6.2	5.5	5.5	5.6	5.6
28.4	25.7	25.8	22.8	23.8	26.6	26.7	27.3	26.9
26.7	27.8	25.0	30.6	50.6	30.8	23.3	19.5	17.9
3.9	3.8	3.5	3.0	4.8	3.4	3.1	3.3	3.8
24.5%	25.2%	22.1%	27.6%	47.8%	28.7%	21.9%	16.1%	9.8%

U.S. Lodging Industry—1984
Statement of Income and Expenses —Median Amounts Per Available Room

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	$14,127	$12,159	$11,077	$10,398	$12,370
Departmental Expenses					
Payroll & Related Expenses	2,357	2,270	1,775	1,631	2,082
Other	1,401	1,147	841	644	1,015
Total	3,799	3,406	2,674	2,341	2,998
Departmental Income	11,447	9,072	8,152	7,836	9,659
Food & Beverage					
Sales					
Food	6,737	4,895	4,314	3,482	6,103
Beverage	3,117	2,255	2,148	1,468	2,270
Total	9,606	7,357	6,689	4,843	7,840
Cost of Sales					
Food	2,253	1,617	1,644	1,248	2,032
Beverage	751	544	494	325	490
Total	3,033	2,145	2,066	1,603	2,447
Gross Profit	6,895	4,872	4,680	3,332	5,544
Public Room Sales	337	103	200	126	212
Other Income	203	87	41	55	68
Gross Profit & Other Income	7,557	4,993	4,909	3,628	5,790
Departmental Expenses					
Payroll & Related Expenses	4,420	2,429	2,528	2,078	3,935
Other	1,383	842	830	714	1,007
Total	5,851	3,480	3,621	2,907	4,746
Departmental Income	1,581	895	1,381	474	1,252
Telephone Departmental Income	(21)	(27)	(39)	(3)	(30)
Net Income From Minor Operated Departments	17	36	28	32	30
Rentals & Other Income	271	225	172	118	272
Gross Income	13,824	10,612	10,512	8,769	11,230
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	1,213	1,007	753	958	1,096
Other	1,153	1,065	981	936	923
Total	2,508	2,052	1,903	1,732	2,030
Marketing	1,612	1,278	1,125	1,104	1,229
Energy Costs	1,645	1,233	1,149	1,027	1,027
Property Operation & Maintenance	1,485	1,140	1,010	944	1,162
Total Undistributed Expenses	7,114	5,783	5,374	4,820	5,621
Income Before Management Fees	7,882	5,416	4,974	4,459	5,601
Management Fees	962	731	704	567	844
Income Before Fixed Charges	$ 7,207	$ 4,825	$ 4,600	$ 4,059	$ 5,326

All amounts are medians and do not necessarily add to the totals shown.

U.S. Lodging Industry—
1984 Ratios to Total Sales

	Area				
Rooms	Northeast	Southeast	North Central	South Central	West
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Departmental Expenses					
Payroll & Related Expenses	19.1	17.3	15.6	16.7	18.2
Other	8.9	8.4	7.1	6.8	8.7
Total	27.8	26.5	22.4	23.7	27.2
Departmental Income	72.2	73.5	77.6	76.3	73.2
Ratio to Total Sales	44.9	45.7	48.9	49.3	40.1
Food & Beverage					
Sales					
Food	72.5	72.2	69.8	70.0	76.5
Beverage	27.9	27.8	30.6	30.6	23.6
Total	100.0	100.0	100.0	100.0	100.0
Cost of Sales					
Food	34.5	35.3	36.9	35.6	33.7
Beverage	22.9	21.7	22.8	24.0	22.7
Total	31.1	30.7	32.0	32.6	31.0
Gross Profit	69.0	69.3	68.0	57.4	69.6
Public Room Sales	1.8	3.8	4.0	2.9	0.8
Other Income	1.1	0.8	1.7	0.9	1.0
Gross Profit & Other Income	71.2	73.1	71.9	70.2	70.2
Departmental Expenses					
Payroll & Related Expenses	48.1	42.5	40.0	37.0	41.6
Other	12.7	11.9	12.7	11.5	11.6
Total	61.2	55.7	53.5	49.2	52.7
Departmental Income	10.8	17.9	20.9	21.1	17.0
Ratio to Total Sales	3.1	5.9	7.3	6.8	5.6
Telephone Departmental Income	(0.2)	0.1	(0.1)	N	(0.7)
Net Income From Minor Operated Departments	0.2	0.1	0.1	0.1	0.2
Rentals & Other Income	0.9	0.9	0.6	0.9	1.9
Gross Income	50.2	53.3	57.3	56.4	50.0
Undistributed Operating Expenses					
Administrative & General					
Payroll & Related Expenses	4.9	5.3	4.5	4.8	4.9
Other	5.1	4.5	4.4	5.2	5.1
Total	10.1	10.0	8.7	10.3	10.2
Marketing	6.1	5.6	6.1	6.0	6.2
Energy Costs	5.5	5.0	5.3	5.9	5.6
Property Operation & Maintenance	5.3	4.9	4.7	5.2	6.3
Total Undistributed Expenses	26.9	26.1	24.8	27.7	29.8
Income Before Management Fees	23.4	28.6	33.2	30.0	21.9
Management Fees	3.5	3.1	3.5	3.9	3.8
Income Before Fixed Charges	22.4%	26.1%	30.4%	27.1%	20.1%

N = Negative

U.S. Lodging Industry—1984

Statement of Income and Expenses

—Median Amounts Per Available Room and Ratios to Total Sales

	All Establishments			All Establishments		
Rooms	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales	$9,144	$11,715	$15,658	100.0%	100.0%	100.0%
Departmental Expenses						
Payroll & Related Expenses	1,542	1,994	2,730	15.1	17.4	20.1
Other	619	951	1,403	6.3	8.3	10.2
Total	2,243	2,952	4,087	22.2	25.7	30.1
Departmental Income	6,725	9,056	12,091	69.9	74.3	77.8
Food & Beverage						
Sales						
Food	3,101	5,096	7,792	66.4	72.3	76.6
Beverage	1,305	2,271	3,309	24.1	28.1	34.3
Total	4,393	7,329	11,132	100.0	100.0	100.0
Cost of Sales						
Food	1,075	1,774	2,590	21.9	24.6	27.3
Beverage	295	515	752	5.3	6.4	8.1
Total	1,419	2,302	3,262	28.8	31.2	33.8
Gross Profit	2,857	4,975	7,626	66.2	68.9	71.2
Public Room Sales	92	183	344	1.4	3.0	4.8
Other Income	15	67	217	0.3	0.9	2.3
Gross Profit & Other Income	3,107	5,221	8,255	68.6	72.1	75.7
Departmental Expenses						
Payroll & Related Expenses	1,837	3,120	4,933	36.5	43.0	50.5
Other	504	962	1,426	9.4	12.4	15.3
Total	2,487	3,967	6,319	48.1	55.5	64.8
Departmental Income	385	1,104	2,152	8.4	16.9	23.7
Telephone Departmental Income	(147)	(26)	58	(0.7)	(0.1)	0.3
Net Income From Minor Operated Departments	(10)	29	145	(0.1)	0.1	0.7
Rentals & Other Income	97	205	451	0.5	1.1	1.9
Gross Income	7,723	10,832	15,371	47.1	53.5	59.9
Undistributed Operating Expenses						
Administrative & General						
Payroll & Related Expenses	664	1,015	[illegible]	3.5	4.7	5.8
Other	667	1,006	1,476	3.7	4.7	6.8
Total	1,426	2,035	2,876	7.7	9.4	12.1
Marketing	777	1,234	1,884	4.4	5.9	7.5
Energy Costs	908	1,160	1,495	4.5	5.6	7.1
Property Operation & Maintenance	768	1,133	1,681	4.4	5.5	6.9
Total Undistributed Expenses	4,126	5,751	7,737	22.8	26.9	32.4
Income Before Management Fees	2,941	5,447	8,451	18.1	27.1	34.8
Management Fees	529	734	1,062	2.9	3.5	4.4
Income Before Fixed Charges	$2,627	$4,614	$7,351	15.4%	24.5%	32.6%

APPENDIX I: UNDERSTANDING MEDIANS

Throughout the year the Research & Development Division at Laventhol & Horwath receives many phone calls requesting explanations on various information contained in this study. "What is a median?" and "Why don't these amounts add to the total?" are probably the most frequently asked questions. Hopefully, this article will shed some light on these confusing issues.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full time employees 8,3,2,6,9,7,5,1,4, these numbers would be arranged sequentially 1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In some exhibits the responses are also broken into quartiles, or four equal parts, with the median still being the middle value. The lower quartile is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the upper quartile defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (numerically) were numbered 1 through 99, the median, or middle value, would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles (see chart below).

Now, an attempt will be made to answer the question "Why don't the amounts add to the totals?"

The most important thing to remember is that each line is analyzed separately! In the accompanying table when all amounts are arranged sequentially, the median total sales figure for hotel operations is equal to 100 percent. This figure is based on all the properties that comprise the population. The median ratio of food sales to food and beverage sales was 72.3 percent and the ratio of beverage sales to food and beverage sales was 28.1 percent. These two items were analyzed on samples of 425 and 865* hotels respectively. Different sample sizes indicate that it is very likely that the respective medians come from different hotels. This also holds true for lower and upper quartile figures.

One more fact to remember when comparing a hotel with those reported in this study is that it is not constructive to compare a whole column to your hotel's results (the median column, for example).

If your hotel has roughly the same total sales as the median reported it may not be correct to follow through using median amounts for costs and expenses. Since each line is analyzed separately, one property may be close to the median in sales, but may have much higher or lower costs and expenses. There are certain factors such as type of hotel, menu-theme and location that may predetermine the costs and expenses and will automatically make a figure higher or lower than the median.

The proper way to compare your hotel's results with those reported in this study is to first complete the worksheet provided in the back of this study. Then compare industry figures to your figures, line by line. Large variances may identify an area in an operation that requires closer analysis.

Example 1
Restaurant Operations Ratios to Total Food and Beverage Sales

	All Establishments
Sales	
Food	72.3%
Beverage	28.1%
Total	100.0%

*The number used for sample size are representative and are not actual sample size.

APPENDIX II: OCCUPANCY AND ROOM RATE DATA*

	Occupancy Percent		Percent Change	Room Sales Per Occupied Room		Percent Change
	1984	1983		1984	1983	
Total U.S.A.	65.9	65.1	1.2	56.22	52.50	7.1
Northeast:	71.6	70.0	2.3	80.32	73.20	9.7
Boston	70.4	69.5	1.3	75.91	71.60	6.0
New York City	75.8	73.8	2.7	97.93	87.80	11.5
Pennsylvania	62.5	61.6	1.5	49.31	46.70	5.7
Philadelphia	60.3	61.4	1.8	57.10	53.90	6.0
Pittsburgh	68.9	65.4	5.4	45.57	43.50	4.8
Southeast:	66.8	68.7	2.8	54.60	51.10	6.9
Metro. Wash D.C.	71.7	66.3	8.1	79.92	72.90	9.7
Daytona Beach	66.4	67.4	1.5	46.27	42.45	8.9
Greater Orlando	69.2	78.7	12.1	47.84	44.65	7.1
Osceola County	66.7	81.1	17.8	47.00	43.39	8.3
South Florida	61.8	59.5	3.9	64.90	63.60	2.1
Downtown Miami	57.0	52.6	8.4	54.97	56.80	3.3
Fort Lauderdale	62.3	57.2	8.9	59.83	56.40	6.0
Tampa Bay	63.7	61.2	4.1	46.39	44.27	4.8
North Central:	64.0	61.2	4.6	44.39	41.80	6.1
Des Moines	64.6	56.3	14.7	38.36	36.70	4.6
Indianapolis	63.7	59.7	6.7	44.79	42.80	4.7
Michigan	66.2	62.2	6.4	45.82	42.30	8.4
Detroit (SE)	73.5	67.6	8.7	45.67	42.80	6.7
Ohio	59.8	57.3	4.4	42.40	39.40	7.6
Cleveland	57.5	53.9	6.7	45.07	40.80	10.4
Cincinnati	54.8	56.4	2.8	44.76	41.30	8.5
St. Louis	61.1	60.9	0.3	50.22	46.06	9.0
Twin Cities	67.3	63.0	6.8	49.35	47.18	4.6
South Central:	60.5	59.8	1.2	50.13	47.60	5.4
Dallas	64.1	58.6	9.4	52.19	49.40	5.6
Gulf Coast	57.9	58.6	1.2	52.22	49.60	5.3
Houston	50.7	53.8	5.8	50.03	49.80	0.5
New Orleans	65.5	61.8	5.9	71.15	63.37	12.3
San Antonio	71.6	69.9	2.4	42.26	43.08	5.1
Tulsa	50.7	53.8	5.8	42.68	45.60	6.4
West:	69.8	68.3	2.2	56.15	52.20	7.6
San Francisco Airport	76.2	73.8	3.3	61.11	58.10	5.2
San Diego	76.3	74.8	2.0	64.65	60.00	7.8
Oregon	58.7	57.3	2.4	43.79	41.40	5.8
Portland	62.7	60.9	3.0	47.44	44.30	7.2
Seattle	69.4	67.6	2.7	54.40	50.30	8.1

*National and Regional Lodging Trends, Laventhol & Horwath

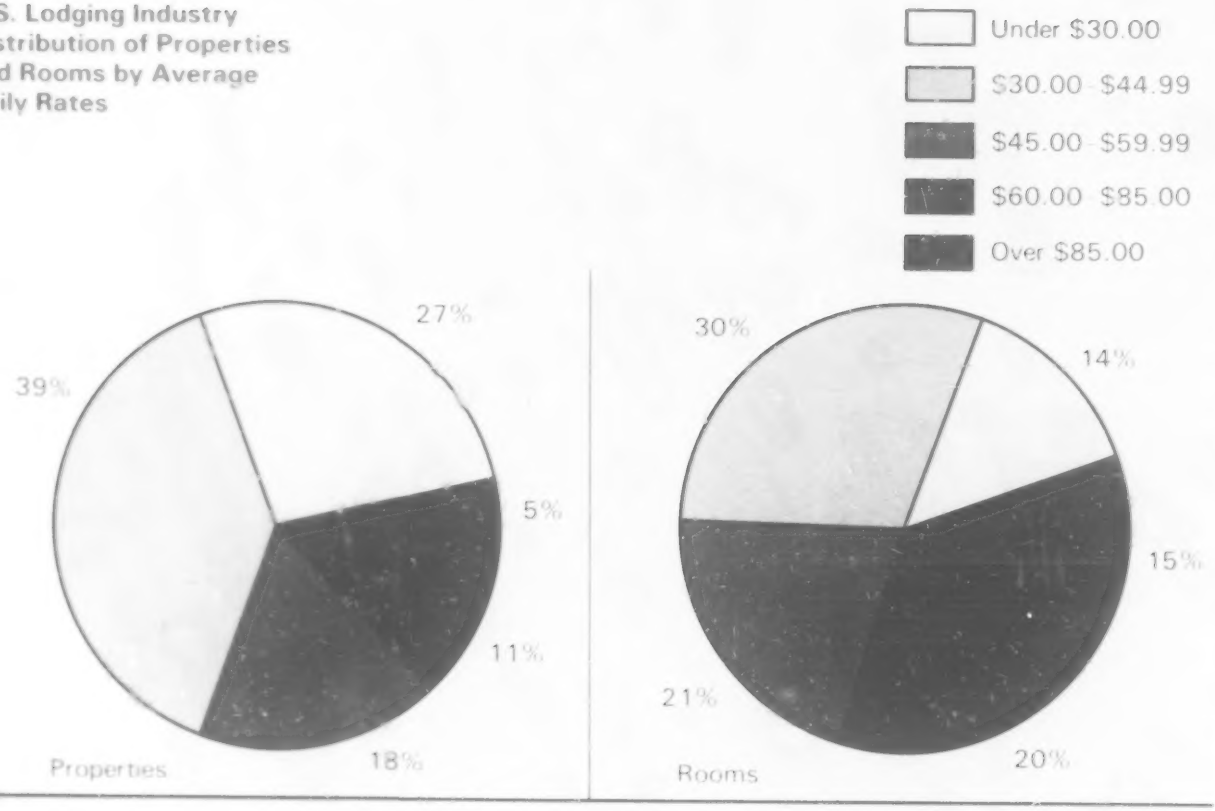
APPENDIX III: NATIONAL OCCUPANCY DATA FOR SELECTED CRITERIA*

	Occupancy Rate			Average Room Rate per Occupied Room		
	1984	1983	Percent Change	1984	1983	Percent Change
Total United States	65.9%	65.1%	1.2%	$56.22	$51.49	7.1%
Region						
Northeast	71.6%	70.0%	2.3%	$80.02	$73.22	9.7%
Southeast	66.8	68.7	(2.8)	54.60	51.08	6.9
North Central	64.0	61.2	4.6	44.39	41.84	6.1
South Central	60.5	59.8	1.2	50.13	47.56	5.4
West	69.8	68.3	2.2	56.15	52.18	7.6
Affiliation						
Chain	66.5%	65.7%	1.2%	$56.13	$52.31	7.3%
Independent	62.8	61.9	1.5	56.68	53.37	6.2
Location						
Center City	65.1%	63.0%	3.3%	$70.97	$65.53	8.3%
Suburban	64.3	63.6	1.1	47.10	45.12	5.5
Airport	70.3	68.5	2.6	51.28	48.01	6.7
Highway	66.1	66.8	(1.0)	39.51	37.74	4.7
Resort	65.1	66.0	(1.4)	65.77	61.52	6.9
Size						
Under 150 rooms	65.9%	64.4%	2.3%	$38.58	$36.67	5.2%
150–299 rooms	65.7	65.9	1.2	49.10	46.23	6.2
300–600 rooms	64.0	63.4	0.9	63.20	59.40	6.4
Over 600 rooms	68.5	68.2	0.4	79.75	72.57	9.9
Type						
Hotel	66.0%	64.4%	2.5%	$67.39	$62.86	7.2%
Motel/Hotel	65.7	66.1	(0.6)	45.45	42.64	6.6
Economy	65.4	64.7	1.1	30.65	29.56	3.7

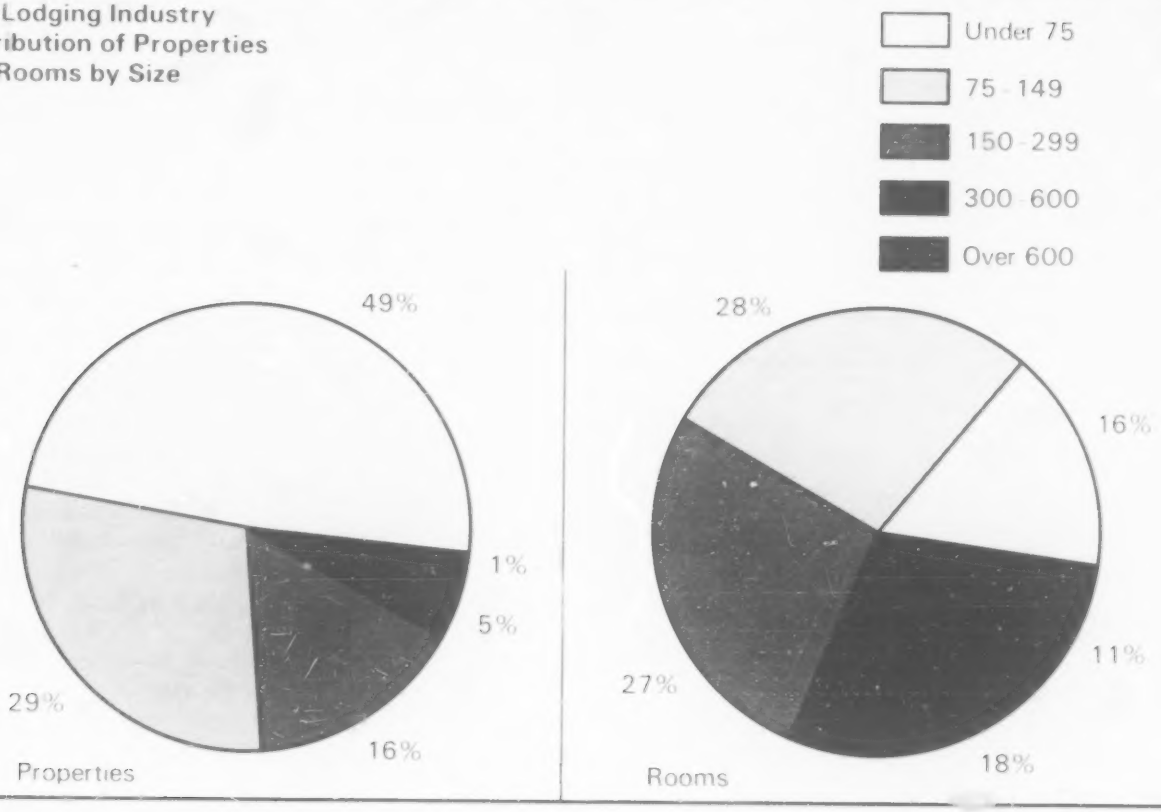
*National Lodging Trend, Laventhol & Horwath

APPENDIX IV: U.S. LODGING INDUSTRY STRUCTURE—BY SELECTED CHARACTERISTICS

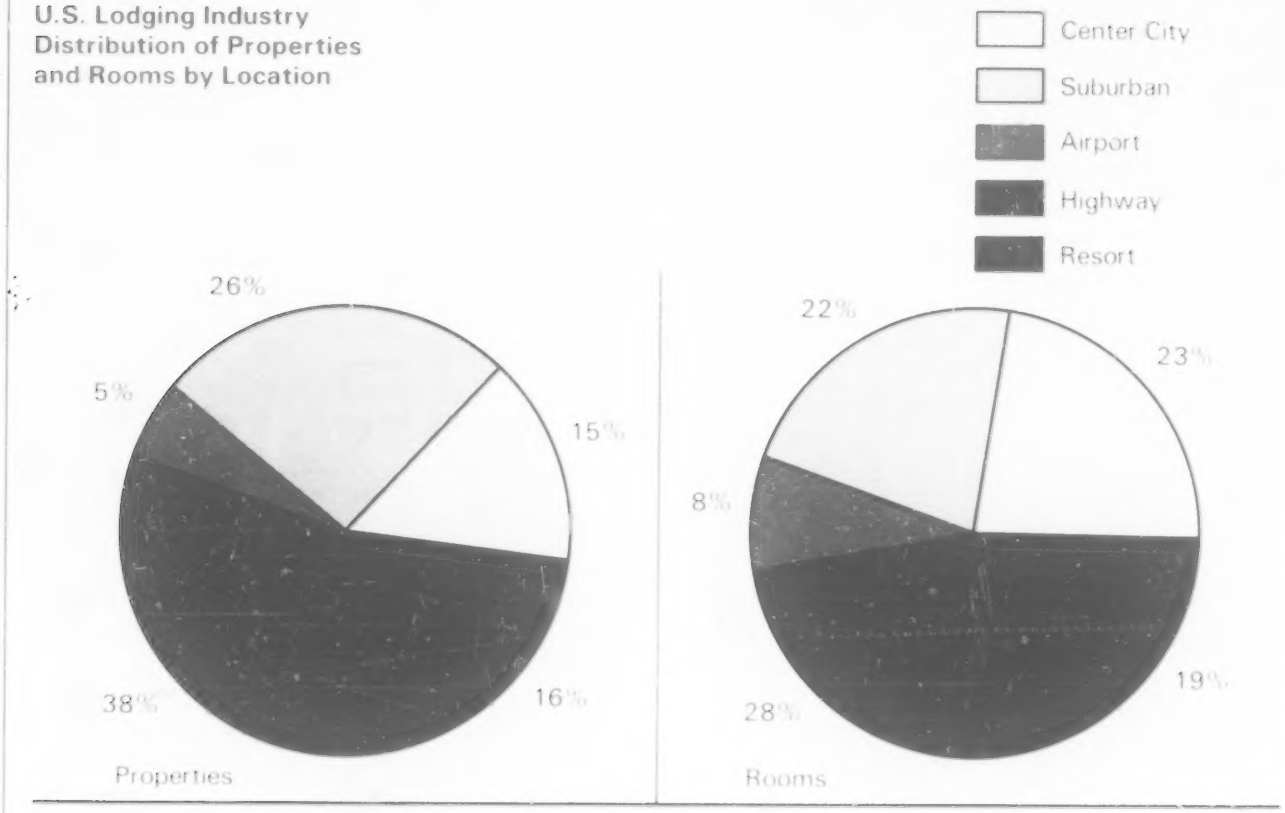
U.S. Lodging Industry Distribution of Properties and Rooms by Average Daily Rates



U.S. Lodging Industry
Distribution of Properties
and Rooms by Size



U.S. Lodging Industry
Distribution of Properties
and Rooms by Location



*Source: Inventory of Lodging Laventhol & Horwath

APPENDIX V: EXPLANATION OF TERMS

Room sales

Payroll—Salaries of managing director, manager, executive assistant manager (not on floor duty), their secretaries, and other clerks in managers' offices; accounting office, front office bookkeepers, bill clerks, cashiers, night auditors, credit department, receiving clerks, employment and personnel managers.

Average room rate

Room sales from all sources, including public rooms net of all allowances divided by the total number of rooms occupied during the year. In the monthly *National Trend of Business in the Lodging Industry* we refer to the Average Room Rate as Room Sales per Occupied Room.

Cash payroll

Entire cash payroll of hotel including house laundry and print shop.

Current position

Prepaid expenses are included in current assets and current mortgage payment installments are excluded from current liabilities.

Energy costs

Cost of electrical current, fuel, steam and water net of sales of energy to stores and others.

Income before fixed charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

Income from minor operated departments

Income from guest laundry, valet, cigar-newsstand, barber shop, and other service departments operated by the hotel less merchandise costs, payroll and related expenses, and other expenses directly chargeable to any of these operations.

Inventory turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Marketing

Payroll and related expenses for sales, advertising and publicity managers, their secretaries and clerks. Also, expenses such as printing, stationery, artwork, layouts, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards.

Median—lower quartile—upper quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the hotels represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the hotels fall between the lower and upper quartiles.

Property operation and maintenance

Payroll and related expenses for carpenters, upholsterers, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers and similar maintenance employees; the chief and assistant engineers; boilermen; firemen; ice pullers; incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as uniforms; cost of supplies and outside contracts for painting, repairing of furniture, springs, mattresses and pillows, floor coverings, curtains, draperies and scarves, shades, screens and awnings, electrical and mechanical equipment, elevators and building; other maintenance work and all similar supplies and expenses associated with providing the hotel with heat, light, power and water.

Rentals and other income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food)—Cost of food sold, before and after deduction of the cost of employees' meals.

Cost (Beverages)—Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll—Stewards, chefs, cooks, waiters, waitresses and bus boys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders, stock clerks, storekeepers, cost clerks, checkers, cashiers.

Income, Departmental—Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses, adn other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverages)—Gross sales of food and beverages, less allowances. Cover charges and other miscellaneous restaurant income are not included.

Rooms

Payroll—Assistant manager, front office clerks, not including bookkeeping, cashiers and bill clerks, housekeeper and assistants, linen room, maids, housemen, bellmen, elevator operators, floor clerks, pages, doormen, house officers and watchmen.

Income, Departmental—Room sales, less rooms payroll and related expenses and other direct room expenses.

Sales—Total rent income from guest and non-banquet public rooms, less allowances, not including office rentals, etc.

Sales, total

All sales and income, less allowances and cover charges.

Taxes

In calculating Number of Times Taxes Were Earned, taxes include all municipal taxes, such as real estate, personal property, sewer and utility. All payroll taxes are charged to the various departments.

Telephone

Income or loss, Departmental—Telephone sales, less cost of telephone service, telephone payroll and related expenses and other direct telephone expenses.

Sales—Gross revenue from use of telephone facilities by guests, less allowances. Includes service charges and pay station commissions.

Further explanation may be found in *Uniform System of Accounts for Hotels*. ■

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